



2025 ANNUAL REPORT



Letter from the Executive Director

As we reflect on the past year, 2025 was a year marked by meaningful progress, thoughtful adaptation, and renewed focus. Our organization navigated a changing landscape with resilience and purpose, advancing the services and support our members rely on while strengthening the core systems that make that work possible.

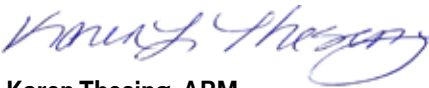
This year brought several significant achievements. I am pleased with our progress to date and even more excited about our future. We strengthened our underwriting procedures and completed successful reinsurance renewals that position us for long term stability and continued value for our members. We expanded and enhanced our risk management services, including the continuation of our comprehensive property appraisal program. We will be increasing our team with the addition of a dedicated Risk Control Advisor and another Liability Claims Adjuster. Both roles will directly improve our responsiveness, expertise, and member support.

Importantly, we also returned to our roots. Both HARRP and AHRP have reinstated their original names, reflecting not only our tradition, but the clarity and identity our members expect. With this change, the Synchronous brand has now been retired, and our programs once again stand proudly in the legacy that shaped them.

Throughout these transitions, our team remained strong, focused, and united in purpose. They met evolving market conditions with professionalism, adaptability, and continued demonstrating readiness to serve. Their commitment to members, to each other, and to the mission has been the driving force behind every success we celebrate on these pages.

As we look ahead, we do so with confidence. The work before us is important, and we are well equipped to meet it. Thank you to our members for your trust and partnership, and to our staff and board for your unwavering dedication. Together, we will continue to strengthen the foundation of service, reliability, and excellence that defines our organization.

With appreciation,



Karen Thesing, ARM
Executive Director

TABLE OF CONTENTS

HARRP OVERVIEW	3-7
STAFF	8
PUBLIC ENTITY POOLING	9-13
AFFORDABLE HOUSING	14-16
INSURANCE (ORWACA)	17
HARRP FINANCIALS	18-41
AHRP FINANCIALS	43-63

Report to our Pooling Participants

Letter to the Pool Participants, 2025

We did it together!

The HARRP Board of Directors is proud to present to you our 2025 Annual Report.

Your Board of Directors worked hard this last year to ensure a smooth leadership transition. We appreciate the hard work of the HARRP team in assisting us to make it happen. The team never missed a beat in providing excellent service during that time.

We are excited about the executive search results and the hiring of Karen Thesing as the new Executive Director. She brings energy, dedication to the pools, and professionalism that has enhanced our relationships with reinsurers and our members. She has strengthened the HARRP team with her enthusiasm and with a focus on developing a cohesive team to deliver excellent customer service, and enhanced products to our members and policy holders.

On behalf of the Board of Directors it is an honor to serve you. We are dedicated to the pools and their health as we move into the future. It is important that we hear from you on how we can improve your pooling experience.

Warm regards,



Renée Rooker
President
HARRP / AHRP



HARRP Annual Report Statement:

Housing Authorities Risk Retention Pool (HARRP) exists to provide stable, member-governed risk financing and risk management support for public and affordable housing providers. Together with the Affordable Housing Risk Pool (AHRP) and ORWACA Agency Insurance Services, LLC, HARRP serves housing authorities and affordable housing owners across Oregon, Washington, California, and Nevada.

In recent years, the organization operated under the Synchronous Risk Management name in an effort to unify services across multiple entities. Through continued evaluation and direct feedback from members and stakeholders, it became clear that the Synchronous name created confusion around governance and accountability and did not clearly represent the distinct missions and responsibilities of each organization.

In December 2025, the HARRP Board of Directors formally approved the retirement of the Synchronous brand and a return to operating under the organization's legal entities. This decision reflects a renewed commitment to transparency, alignment, and operational clarity. All coverage, governance, and financial functions continue unchanged. The transition affects how the organization presents itself – not on altering the services members rely on.

Today, HARRP and AHRP operate with a clear and singular purpose: supporting public and affordable housing providers through risk-sharing pools designed to promote long-term stability. Members benefit from coverage structures tailored to affordable housing, access to specialized legal and risk management expertise, training resources, and proactive claims support. By pooling risk among similar housing providers, HARRP and AHRP help members manage exposure, reduce volatility, and plan with greater confidence.

This Annual Report marks an important step in reinforcing clarity around who we are, how we operate, and how we serve our members – grounded in accountability, disciplined risk management, and practical value.

Investments

Both the public entity and affordable housing pool each maintain its own separate investment accounts. Administered by Graystone Consulting, a business division of Morgan Stanley, the investment accounts maintain the surplus funds earning the maximum revenue from interest earnings. Income derived from these investments are used in determining future rates and acts as a “buffer” to absorb fluctuations in claims or insurance market conditions.

Investments are government backed securities as stipulated by the public entity investment laws of the States of Washington, Oregon, Nevada, and California. At the conclusion of 2024, the consolidated values of investments was approximately \$32M.

Coverages

Both HARRP and AHRP provide many types of coverage for its pool participants. Each line of coverage is a manuscript coverage agreement and is a contract between the pool and the participating agency, which provides that any dispute in coverage terms will be settled under contract law.

Each pool provides the basic lines of coverage: property and general liability. Operations of public housing authorities vary greatly from those of affordable housing providers, in that public housing authorities have employees, vehicles, and housing choice voucher exposures. As each pool was built to provide coverage for specific risks of the insured, only general liability and property were developed for the affordable housing pool.

continues page 5

General Liability

Both pools provide general liability coverage, which protects members from premises liability exposures and third-party claims that may result in tort liability. Currently, the limits are \$2M per occurrence. Additional excess liability limits are optional and available for both pools.

Property

Both pools provide property replacement coverage. The program has a self-insured retention layer and purchases reinsurance for a total of \$57M limit of coverage per occurrence, per participating pool member. The property coverage covers real and personal property of the pool participant and expediting expenses and business interruption coverage for losses sustained at administrative offices. Optional coverage is available for loss of rents, designed to continue cash flow in the event of loss of rents due to the repair of damaged units. Contents coverage is also provided and is based on valuations provided by the pool participant. Also included in the property coverage is equipment breakdown coverage, which extends the coverage to critical electrical and mechanical systems. The property program has a base deductible of \$5,000 per occurrence and the public entity pool, HARRP, has options for higher deductibles which link to discounts. The default property deductible for 2025 remained at \$5,000 per occurrence to continue to shift some of the loss costs away from the pools and to align with current industry standards of commercial property deductibles.

Fidelity

Both pools are protected from losses they might suffer because of employee dishonesty or the loss of monies and/or securities. The basic program limits are \$100,000 per occurrence for employee dishonesty and \$10,000 per occurrence for loss of monies and/or securities. Higher limits are available in denominations of \$100,000 per occurrence for an additional cost.

Public Officials Errors & Omissions Liability

Only available to the public entities pool, this coverage is intended to protect HARRP's member housing authorities, their employees, commissioners, and volunteers from liability arising from the official, non-arbitrary decisions they make on behalf of the authorities, subject to appropriate conditions. The coverage includes employment-related exposures such as allegations of wrongful termination, whistle-blowing, retaliation and discrimination. The limits for this coverage are included in the general liability limits of \$2M per occurrence with \$2M aggregate. Each member is responsible for the greater of 10% of each loss or a minimum deductible of \$2,500.

Automobile Liability and Physical Damage

Only available to the public entities pool, this coverage protects the member housing authorities against risks associated with the ownership and use of automobiles. The limit is \$2M per occurrence. Due to multi-state regulations, auto coverage options are tailored to comply with each state's specific requirements.

Section 8 Liability

Only available to the public entities pool, HARRP provides liability coverage for member housing authorities associated with Section 8 vouchers. The Section 8 line of protection provides coverage for liabilities encountered with the administration of vouchers.

continues page 6



Reinsurance

Third party claims against pool participants, along with first party property claims, represent the largest expenses for both HARRP and AHRP. Over the past decade, these claims have totaled nearly \$820 million.

Reinsurance — essentially insurance for insurers — allows commercial carriers and self insured pools to retain predictable, lower severity losses while transferring catastrophic and unpredictable exposures to a broader network of reinsurers for a negotiated premium.

Over the last five years, reinsurance markets have faced unprecedented challenges, including significant global catastrophes, nuclear verdicts, reduced market capacity, and the withdrawal of reinsurers from certain coverage lines. Wildfire risk has become the most critical driver of reinsurance placement and will remain so for the foreseeable future. During this period, the pools have seen reinsurance costs rise more than 700% to maintain the \$57 million property limit structure. This environment required substantial restructuring and led to new underwriting requirements that significantly altered pool operations.

While volatility persists, cost increases moderated in 2023 and further stabilized in 2024. In 2025, the Staff and the Board continue to evaluate strategies to manage cost pressures, ensure availability of coverage, and address reinsurers' increasingly restrictive policy language. .

Effective risk management practices by pool participants remain essential to reducing both the frequency and cost of claims.

Claims Management

Both the public entity and the affordable housing pool administer all claims processing in-house. Both pools contract with third-party claims adjusters, defense attorneys, and other specialists in the defense of a claim or reconstruction of assets. Both the frequency of claims and the amount of funds to adjust the claims have increased steadily for several years. Reconstruction costs due to material, manpower shortages, and code enhancement requirements have skyrocketed in the past three years, thus driving the increased costs. Litigation costs have also increased over the last several years as have the number of lawsuits.

As a member-owned and controlled organization, both pools attempt to achieve the highest level of satisfaction in the defense and management of claims. The pools recognize that they must exercise independent judgment to act in the best interest of the pools as a whole. Communication between the pool participant and the pools is essential for the proper defense and resolution of claims. The management philosophy on claims management is to pay what is owed and to fight those claims that are questionable or unreasonable. In our evaluation of whether to settle a claim or defend it, our intention is to defend the pool and make a decision based on what is best for the members, policyholders and for the individual pools. We determine coverage for our participants based on the language of the MOC and the PESLIC policy as accurately as possible.

continues page 7



Risk Control Services

Accidental losses happen. There is no way around it. However, proactive intervention, rather than reactive treatment, is paramount to any business operation.

We provide a vast array of services and resources to assist the pool participants in controlling losses. Available to both the public entity pool and the affordable housing pool, these resources are continually evaluated and updated based on usage, relevancy, and effectiveness. We provide material that may assist our participants' internal risk control activities.

We offer a variety of reviewing services for purposes of risk control.

These services include:

- Wording and review of the insurance portion of agreements/contracts
- Policy comparisons
- Finding creative solutions on how to effectively service vulnerable populations
- Underwriting
- Coverage or risk control-related questions
- Addressing and discussing management challenges
- In-person address of safety concerns and identifying safety hazards at properties
- Consultation regarding major changes at your agency and upcoming projects/programs

We also offer a variety of tools and resources for purposes of risk control, including:

- Attorney Helpline
- Relevant loss control/safety/HR articles and links
- Sample policies and indemnification language
- Contractual risk transfer consultation
- On-demand, web-based, live and in-person training
- Fair housing training
- HSB water sensor program

Additionally, we provide live in-person or web-based training for topics like Claims 101, on-boarding, Contractual Risk Transfer, and more. Defensive driving classes are subsidized every 2-3 years for our pooling participants. Training webinars are available live or on-demand for topics ranging from Insurance 101, Accidents Happen, Now What? and Contractual Risk Transfer.

Our pooling participants can also arrange their own training sessions. Providing that the training is focused on reducing claims. Funding is available to assist with covering the costs. Our Loss Control Grant provides participants funds on a first come, first served basis through its risk control grants.



HARRP: Staff

The organization is supported by ten full time employees who deliver services and solutions. Staff provides an elevated level of expertise for the Housing Authorities Risk Retention Pool, the Affordable Housing Risk Retention Pool, and the insurance agency. The team is committed to advancing the mission of our members and policyholders, bringing strong industry knowledge and experience in housing, public entity risk pooling, and commercial insurance.

As a small office, we rely on cross training to ensure continuity of operations and uninterrupted service to our members and policyholders.



Karen Thesing, ARM

Overall management and strategic direction, Board relations, regulatory compliance, insurance placement, coverage issues, and human resources



**Robin Cox,
Policy & Claims Administrator**

New and existing auto liability claims. Administers the internal insurance agency operations and underwriting. Leads the Risk Management Information Systems project



**Cindy Steele,
ARM Director of Risk Management
& Underwriting**

Risk control, training, underwriting, marketing, coverage analysis, and placement of coverage



**Rachel O'Neil,
Public Entities Policy
Administrator**

Public entities policy management, renewals and certificates



**Tom Williams,
Director of Claims**

New and existing claims, claim status and resolution, litigation, and training



**Darla Cazares,
Accounts Receivable &
Administrative Specialist**

Accounting/financial department and broad support services



**Jesse Kinney,
Director of Finance**

Accounts receivable, accounts payable, financial statements, and benefit administration



**Meaghan Brown,
Policy Administrator**

Affordable housing policy development, underwriting, and policy issuance



**Pat Saldana,
Claims Specialist**

New and existing claims, claim status and resolution



PUBLIC ENTITY POOL

Mission Statement: HARRP



The mission of the Housing Authorities Risk Retention Pool (HARRP) is to provide needed insurance benefits for its Public Housing Agency members on a consistent basis at stable, affordable rates.

HARRP WILL STRIVE TO:

- Provide Member Public Housing Agencies with the broadest form of insurance coverages possible while maintaining strong, sound financial business practices.
- Take a leadership role in meeting members' needs to control risk and provide high quality risk management services.
- Encourage member participation by keeping them informed of HARRP activities through regular newsletters and meetings and by soliciting feedback on HARRP operations.
- Provide prompt, courteous service to its members.
- Increase the membership of Public Housing Agencies seeking stable, affordable insurance coverage who are supportive of HARRP services and management and who meet HARRP underwriting criteria.

PUBLIC ENTITY POOL: Overview

The public entity risk pool, known and operating as the Housing Authorities Risk Retention Pool (HARRP), was formed in 1987 due to the commercial insurance market abandoning public sector entities. In response, HARRP was formed for the purpose of operating and maintaining, for participating public housing authorities, a cooperative program of risk management and indemnification and financial protection against risks of loss.

Obligations for membership into the public entities pool provide stability to the program that serves all 83 members. Each participating agency agrees to remain in HARRP for a period of not less than three (3) years beginning on the date upon which the coverage terms first become effective. A participating agency may terminate its participation in HARRP at any time after such three-year period has expired upon giving 90 days' prior written notice to termination of participation and providing the effective date of termination. Once participation in HARRP is terminated, the participating agency cannot re-apply for coverage for a period of three (3) years from the date of withdrawal and must conform to the underwriting criteria that is currently in place at the time of application. The participating agency may not be "double covered" with the coverage afforded by the pool and any other insurance. If double covered, HARRP will be the secondary payor to the other insurer. HARRP also requires each member to be dedicated to risk management principles, including risk control activities designed to minimize the impact to the pool.

There are numerous benefits for public housing authorities to become a member of HARRP. Below is a partial list:

- **Member Focused and Responsive:** The Board of Directors consists of PHA Executive Directors who understand how their decisions will affect members.
- **Cost Effective:** As a public entity, HARRP has no profit load, no taxes, no state insurance commissioner fees and pays no commissions. All this controls the costs of providing specific coverage for members.

continues page 10

- **Tailored Coverage:** HARRP utilizes a manuscript coverage agreement, which simply means that the Board of Directors controls what is and what is not covered. This provides unparalleled flexibility to quickly adapt to changing conditions. Any coverage adjustments can be done internally and does not need to be validated by state insurance officials. The coverages are designed to encompass day to day operational risks encountered by members, not an off the rack insurance product that covers exposures that are not present in PHA operations.
- **Long Term Rate Stability:** Pooling spreads the cost of risk among the members, thus stabilizing costs. There is approximately \$26.6M in retained surplus. These funds can be used to absorb fluctuations in market pressures or adverse claims experience.
- **Equity:** Each member of the pool is an owner of the pool; therefore, each owner has equity. If HARRP were to cease operations at the end of the year, each current member would be entitled to pro-rated accrued equity, or approximately \$26.6M. Withdrawing members lose all equity that they have accumulated. New members start at zero equity and build as they participate. The retained surplus could also be returned to current members as a dividend, which has been done in the past, but it has always been the will of the Board of Directors to retain that equity for rate stability. Equity return would be based on the members' contributions to the pool versus the claims paid for the period in which a member was active and the date of dissolution of the pool.
- **HUD Waiver:** HUD's regulation 24 CFR 965 governs public housing insurance requirements. Being a member of HARRP fulfills the requirements and eliminates the need for the PHA to participate in competitive bidding.
- **Risk Control, Training, Claims Administration:** HARRP offers a wide array of services and aggressive claims resolution. This includes online training, in-person staff training, attorney helpline and HARRP provided speakers on specific subjects such as Fair Housing. The claims philosophy at HARRP is to pay claims that are justified and fight those claims that are not.
- **Non-Assessable:** The pool cannot assess members, in the event of dissolution of the pool, for future liabilities. Many pools that experience excessive claims assess their members for the shortfall of funds needed to pay the claims. These assessments can sometimes be decades after the claims have occurred and many times assessments are levied against former members that no longer participate in the pool.
- **Subsidiaries:** The affordable housing risk pool, known and operating as the Affordable Housing Risk Pool, LLC (AHRP) with its subsidiary, the ORWACA Agency Insurance Services, LLC, rounds out HARRP's mission of being a one-stop shop for commercial insurance products for affordable housing providers. These subsidiaries are designed to bring all the needed insurance products under one roof, be it through self-insured pooling or on the open, traditional insurance marketplace.



PUBLIC ENTITY POOL: Board of Directors

The HARRP Board of Directors is comprised of nine members, three representing the Association of Washington Housing Authorities, three representing the Housing Authorities of Oregon, and three representing the California Association of Housing Authorities. The Directors are subdivided into three classes, each class with a staggered term of three years. Annually, one-third of the Board is elected at separate meetings of each Association. The Board of Directors meet quarterly and is responsible for establishing policy, rate setting, claims, risk management and other administrative functions. Ad hoc committees are formed by the Board when necessary to handle specific issues, projects or urgent concerns between regularly scheduled Board of Directors' Meetings.

HARRP Directors are as follows:

WASHINGTON



Renée Rooker

Executive Director,
Walla Walla Housing Authority
Walla Walla, WA
(Term ends 2025)



Andrew Calkins

Executive Director,
Bellingham & Whatcom County
Housing Authorities
Bellingham, WA
(Term Ends 2028)



Pam Parr

Executive Director,
Northeast Washington Housing
Solutions • Spokane, WA
(Term ends 2027)

OREGON



Nicole Utz

Executive Director,
Housing Authority of
the City of Salem
Salem, OR
(Term Ends 2025)



Jacob Fox

Executive Director,
Homes for Good
Eugene, OR
(Term Ends 2026)

CALIFORNIA/NEVADA



Bob Havlicek

Executive Director,
Housing Authority of the
County of Santa Barbara
Santa Barbara, CA
(Term Ends 2025)



Ken Kugler

Executive Director,
Housing Authority of
the County of Tulare
Visalia, CA
(Term Ends 2026)



Jim Kruse

Executive Director,
Stanislaus Regional
Housing Authority
Modesto, CA
(Term Ends 2027)

PUBLIC ENTITY POOL: Member List

California Housing Authorities

California Affordable Housing Agency
Calexico Housing Authority
Community Development Commission of Mendocino County
Housing Authority of the City of Alameda
Housing Authority of Alameda County
Housing Authority of the City of Benicia
Housing Authority of the County of Butte
Housing Authority of the City of Eureka
Housing Authorities of the City and County of Fresno
Housing Authority of the County of Humboldt
Housing Authority of the County of Kern
Housing Authority of Kings County
Housing Authority of the City of Madera
Housing Authority of the County of Merced
Housing Authority of the County of Monterey
Housing Authority of the City of Needles
Housing Authority of the City of Riverbank
Housing Authority of the County of San Bernardino
Housing Authority of the County of San Joaquin
Housing Authority of the City of San Luis Obispo
Housing Authority of the City of Santa Barbara
Housing Authority of the County of Santa Barbara
Housing Authority of the County of Santa Cruz
Housing Authority of the County of Tulare
Housing Authority of the City of Vallejo
Imperial Valley Housing Authority
Regional Housing Authority
South San Francisco Housing Authority
Stanislaus Regional Housing Authority.
Plumas County Community Development Commission

Oregon Housing Authorities

Housing Works – (aka Central Oregon Regional Housing Authority)
Heppner Housing Authority
Housing Authority of Clackamas County
Coos-Curry Housing Authority
Housing Authority of Douglas County
Housing Authority of Jackson County
Josephine Housing & Community Development Council
Klamath Housing Authority
Homes for Good (aka the Housing Authority of Lane County)
Housing Authority of Lincoln County
Linn-Benton Housing Authority
Housing Authority of Malheur County
Marion County Housing Authority
Mid-Columbia Housing Authority
North Bend City Housing Authority
Northeast Oregon Housing Authority
Housing Authority of Salem
Housing Authority of the County of Umatilla
Washington County Department of Housing Services
West Valley Housing Authority
Housing Authority of Yamhill County

Washington Housing Authorities

Housing Authority of the City of Anacortes
Housing Authority of Asotin County
Bellingham/Whatcom County Housing Authorities
Housing Authority of the City of Bremerton
Housing Authority of Chelan Co. & the City of Wenatchee
Housing Authority of Clallam County/Peninsula Housing Authority
Columbia Gorge Housing Authority
Everett Housing Authority
Housing Authority of Grant County
Housing Authority of Grays Harbor County
Housing Authority of Island County
Housing Authority of the City of Kelso
Housing Authority of the City of Kennewick
Kitsap County Consolidated Housing Authority
Housing Authority of Kittitas County
Housing Opportunities of Southwest Washington/Longview Housing Authority
Housing Authority of Okanogan County
Oroville Housing Authority
Housing Authority of the City of Othello
Joint Pacific County Housing Authority
Housing Authorities of Pasco & Franklin County
Renton Housing Authority
Joint City of Republic-Ferry County Housing Authority
Housing Authority of Skagit County
Housing Authority of Snohomish County
Northeast WA Housing Solutions/Spokane Housing Authority
Sunnyside Housing Authority
Housing Authority of Thurston County
Vancouver Housing Authority
Walla Walla Housing Authority
Yakima Housing Authority

Nevada Housing Authorities

Housing Authority of the City of Reno



Public Pooling

CLAIMS PAID PER YEAR

CLAIMS PAID

2015	\$ 2,749,833.68
2016	\$ 2,107,388.01
2017	\$ 6,868,083.40
2018	\$ 6,061,320.67
2019	\$ 3,136,306.93
2020	\$ 5,265,880.00
2021	\$ 3,331,534.57
2022	\$ 5,453,156.63
2023	\$ 11,469,631.38
2024	\$ 9,368,663.00
2025	\$ 6,824,316.00
	<hr/>
	\$ 62,636,114.27

Mission Statement: AHRP



The Affordable Housing Risk Pool (AHRP) mission is to provide insurance, risk management and exceptional service, specifically tailored for the affordable housing market and instrumentalities of public housing organizations.

AFFORDABLE HOUSING POOL: Overview

The Affordable Housing Risk Pool (AHRP) is a manager managed LLC, established on December 21, 2010, and wholly owned by the Housing Authorities Risk Retention Pool (HARRP). Created to offer an alternative to traditional insurance for affordable housing providers — including tax credit partnerships and nonprofits — AHRP issued its first policy on March 31, 2011.

AHRP is a taxable entity that relies on commercial insurance markets to meet lender requirements, particularly AM Best rating expectations. To comply, AHRP purchases insurance while retaining the first \$1 million of every loss; amounts above that threshold are transferred to the commercial market.

Policyholders participate as policy acquirers, not owners. AHRP underwrites all new submissions to ensure compliance with state statutes and risk management standards.

Key Advantages of AHRP

- **Focused and Responsive Governance:** A nine member Board — seven PHA Executive Directors and two independent policyholder representatives — ensures decisions reflect the needs of both the pool and its clients.
- **Cost Effective Structure:** AHRP benefits from not filing with state insurance departments and leverages group purchasing for reinsurance. With no profit load, no commissions, and a wide geographic risk base, the pool delivers competitive coverage costs.
- **Stability in a Hard Market:** The global insurance market has tightened significantly in recent years, driving up costs and reducing capacity. Despite this, AHRP continues to provide reliable coverage, adjusting rates only as necessary to secure reinsurance.
- **Tailored Coverage:** With a manuscript policy form controlled by its Board, AHRP can adapt coverage quickly and independently to meet evolving operational risks.
- **Comprehensive Services:** AHRP offers extensive support, including online and in person training, loss control grants, an attorney helpline, and subject matter experts on topics such as Fair Housing.
- **Non Assessable Model:** Unlike some pools, AHRP cannot levy assessments on current or former participants, even in dissolution, protecting policyholders from unexpected future liabilities.
- **Subsidiary Services:** ORWACA Agency Insurance Services, LLC — a subsidiary converted to an LLC in 2013 — provides a consolidated insurance resource for both HARRP members and AHRP policyholders.

Affordable Housing

CLAIMS PAID PER YEAR

CLAIMS PAID

2015	\$ 1,766,391.09
2016	\$ 3,393,953.42
2017	\$ 1,453,337.70
2018	\$ 3,031,658.02
2019	\$ 2,862,560.03
2020	\$ 4,722,340.18
2021	\$ 2,262,614.69
2022	\$ 6,033,895.76
2023	\$ 4,985,140.54
2024	\$ 6,443,900.00
2025	\$ 6,840,364.00
	<hr/>
	\$ 43,796,155.43

AFFORDABLE HOUSING: Board of Directors

AHRP incorporates a nine-member Board of Directors. Seven directors are designated as Member Affiliated Directors, and they are elected by the public entity pool Board of Directors. Two directors are designated as Policyholder Affiliated Directors, and they are appointed by the Member Affiliated Directors.

The directors are subdivided into three classes, each class with a staggered term of three years. One third of the Board is elected (or appointed) annually, usually in late March or early April. The Board of Directors meets quarterly and is responsible for establishing policy, rate setting, reinsurance and excess insurance treaties, actuarial analysis, risk management, and overseeing the activities of the contract administrative services.

AHRP Directors are:



Renée Rooker

Executive Director,
Walla Walla Housing Authority
Walla Walla, WA
AHRP President
(Term ends 2025)



Ken Kugler

Executive Director,
Housing Authority of the
County of Tulare · Visalia, CA
AHRP Vice President
(Term Ends 2026)



Andrew Calkins

Executive Director,
Bellingham & Whatcom County
Housing Authorities
Bellingham, WA
(Term Ends 2028)



Jacob Fox

Executive Director,
Homes for Good
Eugene, OR
(Term Ends 2026)



Jim Kruse

Executive Director, Stanislaus
Regional Housing Authority
Modesto, CA
(Term Ends 2027)



Bob Havlicek

Executive Director,
Housing Authority of the
County of Santa Barbara, CA
(Term Ends 2025)



Nicole Utz

Executive Director,
Housing Authority
of the City of Salem
(Term Ends 2025)

POLICYHOLDER AFFILIATED DIRECTORS



Vacant Position



Vacant Position



INSURANCE AGENCY: Overview

The ORWACA Agency Insurance Services, LLC (agency) can assist with any insurance need that is outside the core scope of coverages provided by the public entity or affordable housing pool. The agency is a fully licensed commercial insurance agency, with the ability to access a multitude of commercial policies to achieve its clients' needs for professional executive risk insurance products and general property & casualty coverages. The agency also has access to bonding markets for unique situations when surety is required.

The following examples serve as a reference of the type of programs needing coverage and products frequently requested. Additional lines of coverage are normally accessible by the agency.

- **Homeless shelters & transitional housing programs**
- **Private non-profit operations & city/county funded operations**
- **Community mental health providers that include housing solutions**
- **Most service providers at your housing authority properties**
- **Directors' and officers' insurance for independent non-profit boards related to housing**
- **Professional liability (E&O) and miscellaneous professions**
- **Flood and earthquake**
- **DIC – difference in conditions – broadens property forms**
- **Builder's risk – for property in the course of construction**
- **Policies for property and general liability for affiliates & partner non-profits**
- **Sexual misconduct and abuse**
- **Employment practices liability (monoline product policy)**
- **Bonding/surety, notary/bid & performance and miscellaneous bonds**
- **Fund raising or special event policies**
- **Lead based paint professional liability for housing inspectors**
- **Tenant discrimination**
- **Boiler & machinery/mechanical breakdown**
- **Underground storage tank liability & other pollution related coverage**

Dedicated to offering insurance services to both the public entity and affordable housing sector, the agency is designed to complement the risk pools in achieving the goal of being a one stop shop for insurance coverage specific to housing risks.



Report of Independent Auditors

The Board of Directors Housing Authorities Risk Retention Pool Report on the Audit of the Financial Statements



Opinion

We have audited the financial statements of Housing Authorities Risk Retention Pool (the Pool) as of and for the years ended December 31, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Pool's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Pool as of December 31, 2025 and 2024, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States (Government Auditing Standards). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Pool and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pool's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pool's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pool's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 19 through 25, and the reconciliation of claims liabilities by type of coverage, the ten-year loss development information, the pension plan information, and notes to required supplementary information on pages 36 through 38 (collectively, the required supplementary information) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

continues page 19

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authorities Risk Retention Pool's basic financial statements. The combining statement of net position and combining statement of revenues, expenses, and changes in net position (collectively, the supplementary information) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 20, 2026 on our consideration of the Pool's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Housing Authorities Risk Retention Pools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Housing Authorities Risk Retention Pool's internal control over financial reporting and compliance.

Baker Tilly US, LLP

Portland, Oregon
March 20, 2026

HARRP Management's Discussion and Analysis

The Housing Authorities Risk Retention Pool (HARRP) management is pleased to offer this narrative overview and analysis of the financial activities for the fiscal year ended December 31, 2025. We encourage readers to consider the information presented here in conjunction with HARRP's financial statements and notes.

Financial Highlights

HARRP concluded 2025 with positive gains, these gains are a combination of positive claims results, implementing a minimum per square foot cost factor, and lower administration costs due to another positive adjustment of GASB 68-Pensions. This minimum per square foot more accurately reflects repairs costs and reduces subsidy for the increased costs of losses. This is representative of both pools. ORWACA continues to generate higher revenues due to the marketing and selling of commercial policies, primarily builders risk policies. This is due to continued increased activity of new construction of affordable housing throughout the west coast.

As such, HARRP had a net increase in net position of \$10,125,149 in 2025 compared to a net increase of \$3,867,557 in 2024. The claim expense for AHRP was better than anticipated, leaving AHRP with a net increase in net position of \$4,233,870 in 2025 compared to a net increase in net position of \$1,519,405 in 2024. ORWACA performed well again in 2025 due primarily to the increased sales of builders' risk policies for new development and rehabilitation projects and saw a net increase in net position of \$224,175 compared to a net increase in net position of \$285,577 in 2024. HARRP saw a net increase in its net position of \$5,666,904 in 2025 compared to a net increase in its net position of \$2,062,575 in 2024.

AHRP and ORWACA posted an aggregate net increase in net position of \$4,458,245 in 2025 compared to an aggregate net increase in net position of \$1,804,982 in 2024.

General Program Highlights

HARRP was formed in 1987 as a response to the rapidly escalating costs and availability of public entity insurance. HARRP was formed to pool risks associated with operations of public housing authority agencies. HARRP is governed by a nine-member Board of Directors, elected by and representative of member housing authorities that participate in the HARRP program. The Board of Directors oversees operations, policy, claims, underwriting, risk management, and finances.

Claims administration, risk management, financial services, and underwriting are performed in-house. Claims adjusting, actuarial analysis, financial audits, and legal services are outsourced to firms specializing in pooling, habitational risks, employment law, and civil litigation.

continues page 20

AHRP launched in 2011. AHRP provides coverage for tax credit partnership and nonprofits providing affordable housing. AHRP acquired ORWACA in 2013 at the same time the corporate structure was changed from a corporation to a limited liability company in Oregon. ORWACA is dedicated to procurement of commercial insurance products for HARRP and AHRP. With one licensed insurance agent, ORWACA specializes in acquiring specialty coverage.

Financial Statement Overview

HARRP reports their financial activities as an enterprise fund, utilizing full accrual practices, meaning revenues are booked as earned and expenses are recognized as they are incurred. HARRP establishes a budget annually to monitor many aspects of the financial condition of the Pool.

The annual financial report consists of the Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, and Statements of Cash Flows. This report also contains supplementary information in addition to the basic financial statements.

- The Statements of Net Position present information on the Pool's assets and deferred outflows of resources and liabilities and deferred inflows of resources, and net position. Increase or decrease in the net position from year to year is an indication of how effectively HARRP and AHRP are rating their programs to assure sufficient funding as well as the level of HARRP's internal administrative efficiency.
- The Statements of Revenues, Expenses, and Changes in Net Position present information showing total revenues versus total expenses and how the Pool's net position changed from year-end 2024 to year-end 2025. All revenues and expenses are reported on an accrual basis.

In the required supplementary information section of the audit report is the Reconciliation of Claims Liabilities by Type of Coverage, the Ten-Year Loss Development Information, and the Pension Plan Information. The Ten-Year Loss Development Information schedule for the most recent 10 years shows loss development which demonstrates whether the originally funded rate was adequate or inadequate to cover the cost of losses as the loss matures. These reports are submitted pursuant to GASB Statement 10, as amended by Statement 30, and GASB Statement 68.

In the supplementary information section of the audit report, the Combining Statement of Net Position and the Combining Statement of Revenues, Expenses, and Changes in Net Position, is presented by program. Hence, HARRP, AHRP, and ORWACA are presented separately. This allows specific identification of performance by each program.

Analysis of the Statements of Net Position

	2025	2024	2023
ASSETS			
Current and other assets	\$ 72,192,540	\$ 61,917,706	\$ 49,897,154
Deferred outflows of resources	461,002	422,417	300,710
Total assets and deferred outflows of resources	72,653,542	62,340,123	50,197,864
LIABILITIES			
Current liabilities	29,143,650	30,953,618	23,331,682
Noncurrent liabilities	5,643,320	3,626,646	3,091,571
Deferred inflows of resources	164,666	183,102	216,071
Total liabilities and deferred inflows of resources	34,951,636	34,763,366	26,639,324
NET POSITION			
Restricted			
Net pension asset	373,756	312,812	23,360,689
Unrestricted	37,328,150	27,263,945	348,511
Total net position	\$ 37,701,906	\$ 27,576,757	\$ 23,709,200

Referral to the accompanying financial statements and the related notes for the financial statements is encouraged.

Assets and Deferred Outflows of Resources

Total assets and deferred outflows of resources increased \$10,442,044 from the previous year. This followed an increase in assets and deferred outflows of resources of \$12,013,634 in 2024.

At December 31, 2024, HARRP invested approximately \$31,959,785 in certificates of deposit, corporate bonds, obligations of the U.S. Government, U.S. Government agencies, and U.S. Government sponsored agencies, as stipulated by applicable State investment statutes. Income derived from these investments is used to offset program costs and accordingly reduces both HARRP's and AHRP's rates.

Capital Assets

At December 31, 2025 and 2024, HARRP had \$0 in net investment in capital assets, net of accumulated depreciation due to the sales of its buildings in 2023.

Liabilities and Deferred Inflows of Resources

On December 31, 2025, total liabilities and deferred inflows of resources increased \$316,895 over the previous period. HARRP's liabilities are generally unearned member contributions (deferred revenue), claim reserves payable at a future date, reserves for incurred but not reported (IBNR) claims, accounts payable, accrued expenses, and pension liability.

Analysis of the Statements of Revenues, Expenses, and Changes in Net Position

	2025	2024	2023
REVENUES			
Member contributions	\$ 42,008,441	\$ 36,596,047	\$ 28,423,701
Investment income	2,357,714	1,718,882	1,606,844
Other income	380,550	408,306	380,973
Total revenues	<u>44,746,705</u>	<u>38,723,235</u>	<u>30,411,518</u>
EXPENSES			
Claims expense	13,664,680	15,812,563	16,453,113
Administration/other expense	20,956,876	19,043,115	14,939,945
Total expenses	<u>34,621,556</u>	<u>34,855,678</u>	<u>31,393,058</u>
OTHER INCOME (EXPENSES)			
Gain on sale	-	-	189,326
CHANGE IN NET POSITION	10,125,149	3,867,557	(792,214)
Net position, beginning	<u>27,576,757</u>	<u>23,709,200</u>	<u>24,501,414</u>
Net position, ending	<u>\$ 37,701,906</u>	<u>\$ 27,576,757</u>	<u>\$ 23,709,200</u>

Referral to the accompanying financial statements and the related notes for the financial statements is encouraged.

Revenues

Members contribute funds to the pool allowing HARRP to manage its objective of selfinsurance. The predominant source of revenue is member contributions. Each year, HARRP conducts an actuarial analysis to determine contribution levels, which are based on loss trends, exposure units, and other trending factors. Rates are ultimately adopted by the Board of Directors.

HARRP's revenues (exclusive of investment income) increased in 2025 due to changes in exposure units covered, minimum square foot valuations, and minor rate increases. AHRP's revenues (exclusive of investment income and commissions) increased due to growth in exposure units covered, and the same valuation as HARRP, as well as rate changes.

continues page 25

Statements of Net Position

	2025	2024
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 36,237,852	\$ 28,725,704
Interest receivable	325,984	292,251
Investments	211,343	772,916
Restricted investments	-	447,923
Accounts receivable	32,374	106,876
Income tax receivable	153,198	-
Prepaid expenses	206,782	263,149
Total current assets	37,167,533	30,608,819
NET PENSION ASSET	373,756	312,812
SBITA ASSETS, net of accumulated amortization	885,498	-
DEFERRED INCOME TAX ASSET	529,758	549,681
NONCURRENT INVESTMENTS	27,150,935	25,744,494
NONCURRENT RESTRICTED INVESTMENTS	6,085,060	4,701,900
DEFERRED OUTFLOWS OF RESOURCES	461,002	422,417
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 294,377	\$ 1,225,872
Unearned contributions	19,911,763	19,301,893
Income tax payable	-	548,245
SBITA liability, current portion	184,101	-
Current portion of losses and loss adjustment expense reserves	8,753,409	9,877,608
Total current liabilities	29,143,650	30,953,618
NET PENSION LIABILITY	88,660	128,625
NONCURRENT PORTION OF LOSSES AND LOSS ADJUSTMENT EXPENSE RESERVES	4,840,459	3,498,021
SBITA LIABILITIES, net of current portion	714,201	-
DEFERRED INFLOWS OF RESOURCES	164,666	183,102
Total liabilities and deferred inflows of resources	34,951,636	34,763,366
NET POSITION		
Restricted		
Net pension asset	373,756	312,812
Unrestricted	37,328,150	27,263,945
Total net position	37,701,906	27,576,757
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 72,653,542	\$ 62,340,123

Statements of Revenues, Expenses, and Changes in Net Position

	2025	2024
OPERATING REVENUES		
Contributions earned	\$ 42,008,441	\$ 36,596,047
Commissions	380,550	408,306
Total operating revenues	42,388,991	37,004,353
OPERATING EXPENSES		
Change in losses and loss adjustment expenses incurred	13,664,680	15,812,563
Excess and reinsurance expense	16,742,132	15,579,430
Professional fees	261,535	208,699
Salaries and benefits	2,025,463	1,961,412
General and administrative expense	706,934	578,934
Amortization expense	15,008	-
Total operating expenses	33,415,752	34,141,038
OPERATING INCOME	8,973,239	2,863,315
NONOPERATING INCOME		
Investment income	2,357,714	1,718,882
Total non operating income	2,357,714	1,718,882
INCREASE IN NET POSITION BEFORE INCOME TAX EXPENSE	11,330,953	4,582,197
INCOME TAX EXPENSE	(1,205,804)	(714,640)
INCREASE IN NET POSITION	10,125,149	3,867,557
NET POSITION, beginning of year	27,576,757	23,709,200
NET POSITION, end of year	\$ 37,701,906	\$ 27,576,757

Statements of Cash Flows

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Contributions received	\$ 42,692,813	\$ 43,676,785
Commissions received	380,550	408,306
Interest received	1,868,826	1,589,987
Taxes paid	(1,887,324)	(581,768)
Losses and loss adjustment expenses paid	(13,446,441)	(14,787,422)
Salaries and benefits paid	(2,183,393)	(2,102,424)
Other amounts paid	(1,584,266)	(598,835)
Professional fees paid	(261,535)	(208,699)
Excess insurance expenses paid	(16,742,132)	(15,579,430)
Net cash provided by operating activities	8,837,098	11,816,500
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(15,836,099)	(1,945,676)
Proceeds from sales and maturities of investments	14,511,149	950,028
Net cash used by investing activities	(1,324,950)	(995,648)
NET INCREASE IN CASH AND CASH EQUIVALENTS	7,512,148	10,820,852
CASH AND CASH EQUIVALENTS, beginning of year	28,725,704	17,904,852
CASH AND CASH EQUIVALENTS, end of year	\$ 36,237,852	\$ 28,725,704
RECONCILIATION OF INCREASE IN NET POSITION TO CASH PROVIDED BY OPERATING ACTIVITIES		
Increase in net position	\$ 10,125,149	\$ 3,867,557
Adjustments to reconcile increase in net position to net cash provided by operating activities		
Amortization expense	15,008	-
Deferred income taxes	19,923	(277,364)
Deferred inflows	(18,436)	(32,969)
Pension liability	(39,965)	-
Deferred outflows	(38,585)	(121,707)
Pension asset	(60,944)	13,664
(Loss) gain on sale of investments	(229,923)	45,109
Change in fair value of investments	(225,232)	(233,517)
Changes in assets and liabilities		
Interest receivable	(33,733)	59,513
Accounts receivable	74,502	407,299
Prepaid expenses	56,367	(90,131)
Accounts payable and accrued expenses	(933,699)	70,230
Unearned contributions	609,870	6,673,439
Income tax payable	(548,245)	410,236
Losses and loss adjustment expense reserves	218,239	1,025,141
Net cash provided by operating activities	\$ 8,837,098	\$ 11,816,500
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
SBITA assets obtained in exchange for		
SBITA liabilities	\$ 900,506	\$ -

Expenses

HARRP and AHRP administration costs are comprised of administration and claim handling costs. In 2025, HARRP's administration and claim expenses decreased by \$234,122, compared to an increase of \$3,462,620 in 2024. This is due primarily to the increased number of losses due to growth, additional costs of adjusting those claims, rising reinsurance rates, and administrative expenses increasing due to succession strategies. These increased costs were offset due to a favorable adjustment from the GASB 68 – Pensions calculation.

Debt Administration

Neither HARRP nor AHRP have any existing or pending long term debt. HARRP is positioned to finance bonds in the four states in which it operates to raise capital, if necessary. There are no plans to raise capital through capital contributions, bond financing, or other means. In the 35 years since inception, HARRP has not had to rely on debt financing to fund any portion of its operations.

Forecast of Facts or Conditions Affecting Results of Operations

HARRP benefits from its long-term existence as a risk pool. HARRP's cumulative surplus assures HARRP's solvency. HARRP, like most public entity pools, has suffered due to stringent investment guidelines to which the pool must adhere that limit investments to short-term government securities. Historically, investment income supplements the revenue generated by pool contributions and is a crucial factor in rate setting at the end of the year.

The industry trending prediction has property and casualty markets continuing to harden, which means the capacity in the insurance markets is decreasing. Insurance companies typically increase rates when capacity is low.

In 2011, HARRP obtained board and member approval to launch AHRP. The growth of AHRP has been steady throughout its 13-year history.

Financial Contact

This financial report is designed to provide a general overview of the finances of HARRP. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, Housing Authorities Risk Retention Pool, 4660 NE 77th Avenue, Suite 310, Vancouver, WA 98662.

Notes to Financial Statements

Note 1 – Significant Accounting Policies

Nature of Operations

Housing Authorities Risk Retention Pool (HARRP) was established to serve affordable housing providers pursuant to specific statutes in Oregon, Washington, California, and Nevada for the purpose of operating property, general liability, automobile, fidelity, tenant discrimination, and public officials' errors and omissions coverage to participants.

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America.

Reporting Entity

The governmental reporting entity consists of HARRP, the primary government, and its blended component units.

Component units are legally separate organizations for which the Board of Directors is financially accountable or other organizations whose nature and significant relationship with HARRP are such that exclusion would cause HARRP's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and (i) either HARRP's ability to impose its will on the organization or (ii) there is potential for the organization to provide a financial benefit to or impose a financial burden on HARRP. The basic financial statements include blended component units. The blended component units are legally separate entities, and are considered, in substance, part of HARRP's operations, and so data from these units is combined with data of the primary government.

HARRP's operations include two blended component units, which are included in the basic financial statements and consists of two legally separate entities, Affordable Housing Risk Pool (AHRP) and ORWACA Agency Insurance Services, LLC (the Agency) (collectively, the Pool). The Agency is a member managed LLC owned by AHRP (100% ownership). AHRP began operations on March 31, 2011. AHRP is a 100% owned subsidiary of HARRP.

Governmental Accounting Standards Board (GASB) requires that the financial statements of AHRP and the Agency be blended into HARRP's financial statements. Separately issued financial statements for AHRP and the Agency may be obtained by contacting the Executive Director, HARRP, 4660 NE 77th Avenue, Suite 310, Vancouver, WA 98662.

Basis of Accounting

The Pool maintains its accounting records as a proprietary fund using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The Pool distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses are derived from providing services in connection with the Pool's ongoing operations. The primary operating revenue is contributions from member entities. Operating expenses include claims expenses and general and administrative expenses. All other revenue and expenses not meeting this definition are classified as nonoperating revenues and expenses. GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Pool has applied all applicable GASB pronouncements in the financial statements.

Use of Restricted and Unrestricted Resources

When both restricted and unrestricted resources are available for use, it is the Pool's policy to use restricted resources first, then unrestricted resources as they are needed.

Membership

HARRP was comprised of 83 member public housing authorities at December 31, 2025. HARRP has 47 members who participate in Crime, 83 members who participate in General Liability, 17 members who participate in Excess Liability, 82 members who participate in Errors & Omissions, 1 member who participates in Stand Alone Employment Practices Liability, and 81 members who participate in Property.

HARRP was comprised of 82 member public housing authorities at December 31, 2024. HARRP has 82 members who participate in Crime, 82 members who participate in General Liability, 12 members who participate in Excess Liability, 81 members who participate in Errors & Omissions, 1 member who participates in Stand Alone Employment Practices Liability, and 80 members who participate in Property.

AHRP's policyholders consist of nonprofit and low-income tax credit affordable housing providers affiliated with HARRP. AHRP provides policyholders property, general liability, and tenant discrimination insurance coverage. AHRP had 462 and 440 member policies issued and outstanding at December 31, 2025 and 2024, respectively.

Under HARRP's Intergovernmental Cooperation Agreement, new members may be admitted by a majority vote of the Board of Directors.

Upon entry into HARRP, members may not voluntarily withdraw for a period of three years. Members must submit 30 days written notice prior to voluntary withdrawal. Members may be expelled by a majority vote of the HARRP Board of Directors. The effect of withdrawal does not terminate the responsibility of the member for any unpaid premiums.

Description of Programs

The Pool's Self Insurance Programs (Auto Liability, General Liability, Errors & Omissions, Property, and Employment Practices) were established for the purpose of operating and maintaining a self-insurance or group insurance program. Member contributions for coverage are to be used for the payment of, but not limited to, the following:

- Self-insured claim payments • Reinsurance premiums • Claims administration expenses
- Investigative costs • Legal costs • Internal administration service costs • Audit costs
- Actuarial expenses • Miscellaneous

The Board of Directors determines contribution requirements annually for the self-insurance programs adequate to fund for internal administration, projected losses, and excess insurance costs. Member deductibles, self-insured retention (SIR), reinsurance, and excess insurance for each program under HARRP are as follows:

<u>Auto Liability</u>	
Member Deductible	None
SIR Auto Physical Damage	Actual Cash Value
SIR Bodily Injury & Property Damage	\$2,000,000 per occurrence
<u>General Liability</u>	
Member Deductible	None
SIR	\$2,000,000 per occurrence
<u>Errors & Omissions</u>	
Member Deductible	10% co-share of claim per occurrence
SIR	\$2,000,000 per occurrence
<u>Property</u>	
Member Deductible	\$0 to \$25,000 per occurrence (varies)
SIR	\$2,000,000 per occurrence
Excess Property	\$2,000,001 to \$45,000,000
<u>Employment Practices</u>	
Member Deductible	10% co-share of claim per occurrence
SIR	\$2,000,000 per occurrence

Policyholder deductibles, SIR, reinsurance, and excess insurance for each program under AHRP are as follows:

<u>General Liability</u>	
Deductible	None
SIR	\$1,000,000 per occurrence
Reinsurance	\$1,000,000 per occurrence
<u>Property</u>	
Deductible	\$0 to \$10,000 per occurrence (varies)
SIR	\$1,000,000 per occurrence
Reinsurance	\$1,000,000 per occurrence
Excess	\$2,000,001 to \$45,000,000

continues page 28

Advertising

Advertising costs are expensed as incurred. Advertising expense was \$91,933 and \$75,541 for the years ended December 31, 2025 and 2024, respectively.

Cash and Cash Equivalents

The Pool considers all highly liquid investments with an original maturity of three months or less and money market mutual funds to be cash equivalents. The amount of the Pool's cash is covered by federal depository insurance up to \$250,000. Should the Pool's deposits exceed the insured limits, the balance is covered by collateral held by the bank in accordance with Washington law requiring the depository bank to hold collateral equal to 100% of the excess government funds on deposit.

ORWACA Insurance Agency, LLC, cash is restricted for use by the State of Washington until the premiums are paid to the respective insurance companies. No cash was considered restricted as of December 31, 2025 and 2024.

Restricted cash equivalents are designated for the benefit of The Princeton Excess and Surplus Lines Insurance Company (PESLIC) (see Notes 1 and 6).

Accounts Receivable

Accounts receivable reflects uncollateralized amounts due from members for contributions billed and commissions due from insurance companies. The Pool grants credit to housing authorities, low-income housing tax credit partnerships, and nonprofit corporations in Oregon, Washington, California, and Nevada. Contributions are due from housing authorities and policyholders generally prior to the start of the coverage period. Interest is not charged on delinquent balances. Management individually reviews all delinquent balances and works with the housing authority and policyholder to collect amounts owed. Receivable balances delinquent more than 90 days were \$13,146 and \$13,146 as of December 31, 2025 and 2024, respectively. The Pool did not provide an allowance for doubtful accounts as all accounts are considered collectible.

Subscription-Based Information Technology Arrangements

Subscription-based information technology arrangement (SBITA) is a contract that conveys to HARRP control of the right to use another party's (i.e., a vendor's) IT software. HARRP has one SBITA, which is primarily an accounting system for policies and claims. HARRP determines if an arrangement is a SBITA at inception of the contract. For each SBITA, HARRP records a right-to-use subscription asset and a corresponding subscription liability. Subscription based assets and liabilities are recognized at the commencement of the subscription term based on the present value of subscription payments expected to be made during the subscription term. HARRP uses the Treasury Direct rate at the SBITA commencement date, plus an additional 150 basis points to remain conservative, as the discount rate when determining the present value of subscription payments.

At December 31, 2025 HARRP held approximately \$885,000 in SBITA assets, net of accumulated amortization, and SBITA liabilities stood at approximately \$898,000 (see Note 3).

Unearned Contributions/Prepaid Expenses

Policy period-end varies by policyholder. As such, certain contributions are treated as deferred and certain expenses as prepaid. This is to reflect a proper matching of contributions and expenses for the fiscal year-end financial statements.

Investments

The Pool records its investments at fair value. Changes in fair value are reported as nonoperating income or loss in the statements of revenues, expenses, and changes in net position. Fair value of investments has been determined by the Pool based on quoted market prices. Realized gain on investments sold in 2025 totaled \$229,923. Realized loss on investments sold in 2024 totaled \$45,109.

continues page 29

Restricted Cash Equivalents and Restricted Investments

The Pool has certificates of deposit, federal agency, and corporate bonds totaling \$6,085,060 and \$5,149,823 at December 31, 2025 and 2024, respectively, as designated for the benefit of PESLIC in accordance with a Regulation 114 Trust (see Note 6).

Losses and Loss Adjustment Expense

Each pool establishes claims liabilities based on estimates of the ultimate cost of claims (including future allocated claim adjustment expense) that have been reported but not settled, and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount, particularly for coverages such as general liability.

Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claims frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claim liabilities are charged or credited to expense in the periods in which they are made.

Net Position

Net position includes the various net earnings from operating income and nonoperating revenues and expenses. Net position is classified in the following three components:

Restricted – This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation reduced by liabilities relating to those restricted assets.

Unrestricted – This component of net position consists of net position that does not meet the definition of “restricted”.

Revenue Recognition

Revenues mainly consist of premium contributions from policyholders. Policyholders are typically those organizations in the affordable housing community, primarily tax credit partnerships, affiliated nonprofits and nonprofit affordable housing owners in Oregon, Washington, Nevada, and California.

Revenue is matched to the period in which the policyholder has obtained coverage. Revenues are amortized over the coverage period.

Contribution development is performed by actuaries and the Board of Directors based on the particular characteristics of the policyholders. Contribution income consists of payments from policyholders that are expected to match the expense of insurance premiums for coverage in excess of self-insured amounts, estimated payments resulting from self-insurance programs, and operating expenses. The contribution revenue is recognized as revenue in the period for which insurance protection is provided.

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

continues page 30

Income Tax Status

HARRP is exempt from federal and state income taxes under Internal Revenue Code Section 115. AHRP has been formed as a Limited Liability Company and is taxed as an insurance corporation. The Agency is a Limited Liability Company and wholly owned by AHRP. For tax purposes, the Agency is considered a disregarded entity and its operations are combined with AHRP's on AHRP's income tax return.

AHRP's income tax provision is based on the asset and liability method. Deferred income tax assets and liabilities have been provided for temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements.

Management believes the Pool has no material uncertain tax positions and, accordingly, it has not recorded a liability for unrecognized tax expense. To the extent that the Pool was assessed interest or penalties associated with income tax positions, such expense would be recognized as an operating expense.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of all state-sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

At December 31, 2025 and 2024, the Pool had \$373,756 and \$312,812, respectively, in restricted net pension asset.

Reclassifications

Certain account reclassifications and adjustments have been made to the financial statements of the prior year in order to conform to current year presentation. These reclassifications have no effect on previously reported net position.

Recently Adopted Standards

GASB Statement No. 100, Accounting Changes and Error Corrections – The statement enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This statement is effective for the Pool in the year ended December 31, 2024, and had no effect on the financial statements for the year ended December 31, 2024.

GASB Statement No. 101, Compensated Absences – The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement is effective for the Pool in the year ended December 31, 2024, and had no material impact on the financial statements for the year ended December 31, 2024. No retroactive adjustment was recorded for December 31, 2023, as it was immaterial to the financial statements.

Note 2 – Investments and Restricted Investments

The Pool had the following investments held in a managed portfolio as of December 31:

	2025	2024
Investment type		
Federal agencies	\$ 25,682,315	\$ 22,064,674
Corporate bonds	7,765,023	9,404,483
Certificates of deposit	-	198,076
	<u> </u>	<u> </u>
Total	<u>\$ 33,447,338</u>	<u>\$ 31,667,233</u>

Investments are included on the following totals on the statements of net position.

	2025	2024
Investments	\$ 211,343	\$ 772,916
Restricted investments	-	447,923
Noncurrent investments	27,150,935	25,744,494
Noncurrent restricted investments	6,085,060	4,701,900
	<u> </u>	<u> </u>
	<u>\$ 33,447,338</u>	<u>\$ 31,667,233</u>

Interest rate risk – As a means of limiting its exposure to fair value losses arising from changes in interest rates, the Pool's investment policy limits the investment portfolio to maturities of not more than five years from the date of investment.

Investment Type	Fair Value	Investment Maturities as of December 31, 2025		
		<1 year	1–3 years	>3 years
Federal agencies	\$ 25,682,315	\$ -	\$ 7,895,840	\$ 17,786,475
Corporate bonds	7,765,023	211,343	2,987,593	4,566,087
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total investments at fair value	<u>\$ 33,447,338</u>	<u>\$ 211,343</u>	<u>\$ 10,883,433</u>	<u>\$ 22,352,562</u>

Investment Type	Fair Value	Investment Maturities as of December 31, 2024		
		<1 year	1–3 years	>3 years
Federal agencies	\$ 22,064,674	\$ 821,540	\$ 16,079,806	\$ 5,163,328
Certificates of deposit	198,076	198,076	-	-
Corporate bonds	9,404,483	201,223	5,166,677	4,036,583
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total investments at fair value	<u>\$ 31,667,233</u>	<u>\$ 1,220,839</u>	<u>\$ 21,246,483</u>	<u>\$ 9,199,911</u>

Credit risk – It is the Pool's general investment policy to apply the prudent person standard; investments shall be made with judgment and care under circumstances then prevailing which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. Securities eligible for investments are direct obligations of the U.S. Government (U.S. Treasury obligations), U.S. Government agency securities, Corporate Bonds, and Money Market bank accounts. U.S. Treasury obligations are backed by the full faith and credit of the U.S. Government. Government agency securities are rated "AA+" by Standards and Poor's. Certificates of deposit are covered by federal depository insurance.

continues page 32

Concentration of risk – The Pool’s investment policy allows for the purchase of unlimited quantities of U.S. Treasury obligations, U.S. Government agency securities, certificates of deposit, or corporate bonds. At December 31, investments grouped in categories that are 5% or more as a percentage of the total investment portfolio were as follows:

	<u>2025</u>	<u>2024</u>
US Treasuries	67%	61%
Corporate bonds	21%	27%
Federal Farm Credit Bank	9%	5%
Federal Home Loan Bank	3%	4%
Mortgage Backed Securities	0%	3%

Fair Value Measurement

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that GASB statements require or permit in the statements of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset’s fair value.

Level 1 – Inputs are quoted prices in active markets for identical assets.

Level 2 – Inputs are significant other observable inputs.

Level 3 – Inputs are significant unobservable inputs.

Fair values of assets measured on a recurring basis at December 31, 2025, are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Federal agencies	\$ -	\$ 25,682,315	\$ -	\$ 25,682,315
Corporate bonds	-	7,765,023	-	7,765,023
	<u>\$ -</u>	<u>\$ 33,447,338</u>	<u>\$ -</u>	<u>\$ 33,447,338</u>

Fair values of assets measured on a recurring basis at December 31, 2024, are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Federal agencies	\$ -	\$ 22,064,674	\$ -	\$ 22,064,674
Certificates of deposit	-	198,076	-	198,076
Corporate bonds	-	9,404,483	-	9,404,483
	<u>\$ -</u>	<u>\$ 31,667,233</u>	<u>\$ -</u>	<u>\$ 31,667,233</u>

Note 3 – SBITAs

A summary of SBITA activity for the year ended December 31, 2025, is as follows:

	Balance December 31, 2024	Additions	Retirements	Transfers	Balance December 31, 2025
SBITA assets	\$ -	\$ 900,506	\$ -	\$ -	\$ 900,506
Less accumulated amortization	-	(15,008)	-	-	(15,008)
Total SBITA assets	\$ -	\$ 885,498	\$ -	\$ -	\$ 885,498

	Balance December 31, 2024	Additions	Reductions	Balance December 31, 2025	Amounts Due Within One Year
SBITA liabilities	\$ -	\$ 900,506	\$ (2,204)	\$ 898,302	\$ 184,101

Amortization expense was \$15,008 and \$0 for the years ended December 31, 2025 and 2024, respectively.

Note 4 – Losses and Loss Adjustment Expenses

The Pool establishes a liability for both reported and unreported insured events at undiscounted amounts, which includes estimates of both future payments of losses and related claims adjustment expenses. The following represents changes in liabilities for the Pool during the years ended December 31:

	<u>2025</u>	<u>2024</u>
Losses and loss adjustment expense reserves, beginning of year	<u>\$ 13,375,629</u>	<u>\$ 12,350,488</u>
Incurred losses and loss adjustment expenses		
Provision for covered events of the current year	12,130,000	12,878,000
Increase in provision for covered events of the prior years *	<u>1,534,680</u>	<u>2,934,563</u>
Total incurred losses and loss adjustment expenses	<u>13,664,680</u>	<u>15,812,563</u>
Payments		
Losses and loss adjustment expenses attributable to covered events of the current year	4,206,314	6,635,551
Losses and loss adjustment expenses attributable to covered events of the prior years *	<u>9,240,127</u>	<u>8,151,871</u>
Total payments	<u>13,446,441</u>	<u>14,787,422</u>
Loss and loss adjustment expense reserves, end of year	<u>\$ 13,593,868</u>	<u>\$ 13,375,629</u>
Detail of losses and loss adjustment expense reserves		
Current portion	\$ 8,753,409	\$ 9,877,608
Long-term portion	<u>4,840,459</u>	<u>3,498,021</u>
	<u>\$ 13,593,868</u>	<u>\$ 13,375,629</u>

* Claim payments included \$195,500, \$337,372, and \$54,808 of state subrogation payments received during the years ended December 31, 2025, 2024, and 2023 for prior year claims.

The change in provision for covered events of the prior year increased significantly from estimates due to the unfavorable increase in provision for 2022 property and general liability claims due to flooding and wildfires that were unprecedented in the Pool's history.

Note 5 – Income Taxes

AHRP is taxed as a mutual property/casualty insurance company. Deferred income tax assets result principally from differences between unpaid losses and loss adjustments, unrealized gains and losses, and unearned contributions for financial reporting and tax purposes. Tax expense consists of the following for the years ended December 31:

	<u>2025</u>	<u>2024</u>
Deferred – Federal	\$ (16,952)	\$ 247,369
Deferred – State	<u>(2,971)</u>	<u>29,995</u>
Total deferred	<u>(19,923)</u>	<u>277,364</u>
Current – Federal	(887,497)	(737,558)
Current – State	<u>(298,384)</u>	<u>(254,446)</u>
Total current	<u>(1,185,881)</u>	<u>(992,004)</u>
	<u>\$ (1,205,804)</u>	<u>\$ (714,640)</u>

continues page 35

The effective tax rate differs from the rate applied to the Pool's increase in net position before income taxes principally due to only AHRP being taxed as a mutual property/casualty insurance corporation.

The components of the deferred income tax asset are as follows as of December 31:

	2025	2024
Unearned contributions	\$ 461,335	\$ 503,427
Unrealized losses	(39,055)	(31,051)
Loss reserve discount	98,656	71,841
Capital loss disallowed	8,822	6,771
TCJA – loss reserve discounting	-	(1,307)
Net deferred tax asset	\$ 529,758	\$ 549,681

Note 6 – Excess and Reinsurance

The Pool purchases excess insurance and reinsurance to reduce its financial exposure to loss. The Pool does not report any liabilities that are the responsibility of the reinsurance or the excess insurance carrier. All property and casualty lines for HARRP are self-insured at a level of \$2,000,000 per occurrence.

HARRP secured \$45,000,000 of coverage in excess of the underlying \$2,000,000 for property losses through an additional excess insurance policy. HARRP provides coverage for the members' stated total insured value up to the excess coverage limit.

AHRP provides only general liability, property, and tenant discrimination coverage. The general liability coverage for AHRP is self-insured at a level of \$1,000,000 per occurrence. \$1,000,000 of reinsurance has been secured to provide higher limit coverage on both the property and general liability lines. Additionally, AHRP secured \$45,000,000 in excess of the underlying \$2,000,000 for property losses through an additional excess insurance policy.

During December 2017, HARRP and AHRP entered into a Regulation 114 Trust to provide collateral for PESLIC in exchange for fronting the credit risk related to AHRP's reinsurance. The collateral is included in restricted investments consisting of certificates of deposit, federal agencies, and corporate bonds totaling \$6,085,060 and \$5,149,823 at December 31, 2025 and 2024, respectively. AHRP is a grantor on the Regulation 114 Trust.

Note 7 – Retirement & Note 8 – Pensions *(Left out intentionally)*

See full audited financial statements for further information.

Note 9 – Subsequent Events

We have evaluated subsequent events through March 20, 2026, the date that these financial statements were available to be issued.

Reconciliation of Claims Liabilities by Type of Coverage (Unaudited)

Years Ended December 31, 2025 and 2024

The schedule below presents the changes in losses and loss adjustment expenses for 2025 and 2024 for the Pool's three types of coverage, property, general and public officials' liability, and automobile liability:

	Property		General and Public Officials' Liability		Automobile Liability		Totals	
	2025	2024	2025	2024	2025	2024	2025	2024
Losses and loss adjustment expense reserves, beginning of year	\$ 6,799,220	\$ 7,528,482	\$ 6,183,233	\$ 4,458,980	\$ 393,177	\$ 363,027	\$ 13,375,629	\$ 12,350,488
Incurring losses and loss adjustment expenses								
Provision for covered events of the current year	8,578,000	10,098,000	3,310,000	2,397,000	242,000	383,000	12,130,000	12,878,000
Decrease (increase) in provision for covered events of the prior years	1,200,497	652,502	325,698	1,949,640	8,485	332,421	1,534,680	2,934,563
Total incurred losses and loss adjustment expenses	9,778,497	10,750,502	3,635,698	4,346,640	250,485	715,421	13,664,680	15,812,563
Payments								
Losses and loss adjustment expenses attributable to covered events of the current year	3,925,742	6,271,862	99,491	91,322	181,081	272,367	4,206,314	6,635,551
Losses and loss adjustment expenses attributable to covered events of the prior years	7,375,189	5,207,902	1,591,109	2,531,065	273,829	412,904	9,240,127	8,151,871
Total payments	11,300,931	11,479,764	1,690,600	2,622,387	454,910	685,271	13,446,441	14,787,422
Losses and loss adjustment expense reserves, end of year	\$ 5,276,786	\$ 6,799,220	\$ 8,128,331	\$ 6,183,233	\$ 188,752	\$ 393,177	\$ 13,593,868	\$ 13,375,629

Ten-Year Loss Development Information (Unaudited)

For the Ten Years Ended December 31, 2025

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total required contribution and investment revenue	\$ 11,544,920	\$ 11,572,307	\$ 10,828,818	\$ 12,876,995	\$ 14,835,011	\$ 16,594,775	\$ 23,417,412	\$ 30,030,545	\$ 38,314,929	\$ 44,366,155
Ceded	(2,150,085)	(2,117,250)	(2,149,530)	(2,482,005)	(3,313,030)	(8,405,108)	(10,736,043)	(12,111,366)	(15,338,735)	(16,488,793)
(1) Net earned required contribution and investment revenues	9,394,835	9,455,057	8,679,288	10,414,990	11,521,981	8,189,667	12,681,369	17,919,179	22,976,194	27,877,362
(2) Unallocated expenses	3,289,255	3,645,850	3,533,058	2,473,595	2,627,791	3,157,008	5,393,280	4,586,267	3,119,116	4,834,557
(3) Estimated incurred claims and expense, end of year Ceded	5,123,800	8,781,786	8,922,332	6,359,880	9,928,120	8,898,791	10,906,834	13,648,999	12,878,000	12,130,000
Net incurred	5,123,800	8,781,786	8,922,332	6,359,880	9,928,120	8,898,791	10,906,834	13,648,999	12,878,000	12,130,000
(4) Paid (cumulative), end of year *										
End of period	2,138,464	3,267,898	2,238,337	2,456,210	3,768,617	3,776,574	4,328,728	6,230,762	6,635,551	4,215,366
One year later	4,214,949	7,114,889	7,288,074	4,867,368	6,513,904	7,062,371	10,616,749	11,361,017	10,673,010	-
Two years later	4,558,733	8,086,266	8,590,297	5,322,471	8,433,835	8,914,618	13,012,349	13,344,001	-	-
Three years later	4,924,719	8,254,797	6,105,499	5,680,809	8,530,670	9,006,372	15,285,347	-	-	-
Four years later	4,965,685	8,503,749	6,217,620	5,887,936	8,684,253	9,018,008	-	-	-	-
Five years later	4,965,685	8,537,467	6,338,814	5,936,899	9,337,304	-	-	-	-	-
Six years later	4,965,685	8,553,119	6,338,471	6,224,385	-	-	-	-	-	-
Seven years later	4,965,685	8,669,502	6,338,471	-	-	-	-	-	-	-
Eight years later	4,965,685	8,875,269	-	-	-	-	-	-	-	-
Nine years later	4,965,685	-	-	-	-	-	-	-	-	-
(5) Reestimated ceded claims and expenses	-	-	-	-	-	-	-	-	-	-
(6) Reestimated incurred claims and expenses, end of year *										
End of period	5,123,800	8,781,786	8,922,332	6,359,880	9,928,122	8,898,791	10,906,834	13,649,000	12,878,000	12,130,000
One year later	4,827,010	8,794,661	8,674,428	6,152,880	9,209,438	9,775,788	13,767,872	14,597,000	13,759,000	-
Two years later	5,006,482	8,539,238	8,725,162	6,071,518	8,871,807	9,216,568	15,435,104	14,628,000	-	-
Three years later	5,050,796	8,726,160	6,216,713	6,061,705	9,234,314	9,036,873	15,936,997	-	-	-
Four years later	5,031,656	8,782,102	6,255,434	6,051,341	9,341,013	9,021,857	-	-	-	-
Five years later	4,965,685	8,688,670	6,338,850	6,356,282	9,337,304	-	-	-	-	-
Six years later	4,965,685	8,785,953	6,338,549	6,476,168	-	-	-	-	-	-
Seven years later	4,965,685	8,871,271	6,338,507	-	-	-	-	-	-	-
Eight years later	4,965,685	8,875,269	-	-	-	-	-	-	-	-
Nine years later	4,965,685	-	-	-	-	-	-	-	-	-
(7) Increase (decrease) in estimated incurred claims expense from end of policy year	\$ (158,115)	\$ 89,485	\$ (2,583,783)	\$ (3,598)	\$ (587,107)	\$ 138,082	\$ 4,528,270	\$ 948,001	\$ -	\$ -

* Claim payments include \$195,500 of state subrogation payments received during the year ended December 31, 2025.

Ten-Year Loss Development Information (Unaudited)

December 31, 2025

CLAIMS DEVELOPMENT INFORMATION

The schedule illustrates the Pool's earned revenues (net of reinsurance) and investment income (loss) compared to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the Pool as of the end of the year.

The rows of the table are defined as follows:

1. This line shows the total of each year's earned contribution revenues and investment revenues.
2. This line shows each year's other operating costs of the Pool including overhead and claims expense not allocable to individual claims. All unallocable administration expenses are charged to the current year.
3. This line shows the Pool's incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the year.
4. This section shows the cumulative amounts paid as of the end of the year.
5. This line shows the latest reestimated amount of claims assumed by reinsurers as of the end of the current year for each insured year.
6. This annual re-estimation results from new information received on known claims, as well as emergence of new claims not previously known.
7. This line compares the latest re-estimated incurred claim amount to the amount originally established (line 3) and shows whether this later estimate of claims cost is greater or less than originally estimated.

As data for individual policy years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years.

Other Supplementary Information

Combining Statement of Net Position

December 31, 2025

	Affordable Housing Risk Pool	ORWACA Agency	Combining Eliminating Entries	Affordable Housing Risk Pool and ORWACA Combined	Housing Authorities Risk Retention Pool	Combining Eliminating Entries	Combined
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES							
CURRENT ASSETS							
Cash and cash equivalents	\$ 18,502,282	\$ 1,766,714	\$ -	\$ 20,268,996	\$ 15,968,856	\$ -	\$ 36,237,852
Interest receivable	59,151	-	-	59,151	266,833	-	325,984
Investments	117,274	-	-	117,274	94,069	-	211,343
Accounts receivable	17,747	217,328	-	235,075	(95,941)	(106,760)	32,374
Income tax receivable	153,198	-	-	153,198	-	-	153,198
Prepaid expenses	122,285	3,476	-	125,761	81,021	-	206,782
Total current assets	<u>18,971,937</u>	<u>1,987,518</u>	<u>-</u>	<u>20,959,455</u>	<u>16,314,838</u>	<u>(106,760)</u>	<u>37,167,533</u>
NET PENSION ASSET	-	-	-	-	373,756	-	373,756
SBITA ASSETS, net of accumulated amortization	-	-	-	-	885,498	-	885,498
DEFERRED INCOME TAX ASSET	529,758	-	-	529,758	-	-	529,758
NON CURRENT INVESTMENTS	7,080,863	-	-	7,080,863	20,070,072	-	27,150,935
RESTRICTED INVESTMENTS	-	-	-	-	6,085,060	-	6,085,060
INVESTMENT IN SUBSIDIARY	22,000	-	(22,000)	-	7,500,000	(7,500,000)	-
DEFERRED OUTFLOWS OF RESOURCES	-	-	-	-	461,002	-	461,002
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 26,604,558</u>	<u>\$ 1,987,518</u>	<u>\$ (22,000)</u>	<u>\$ 28,570,076</u>	<u>\$ 51,690,226</u>	<u>\$ (7,606,760)</u>	<u>\$ 72,653,542</u>

Combining Statement of Net Position

December 31, 2025

	Affordable Housing Risk Pool		Affordable Housing Risk Pool and ORWACA Combined		Housing Authorities Risk Retention Pool		Combining Eliminating Entries		Combined	
	Affordable Housing Risk Pool	ORWACA Agency	Combining Eliminating Entries	Affordable Housing Risk Pool and ORWACA Combined	Housing Authorities Risk Retention Pool	Combining Eliminating Entries	Combined			
	\$ (151,055)	\$ 219,699	\$ -	\$ 68,644	\$ 332,493	\$ (106,760)	\$ 294,377			
	9,643,963	-	-	9,643,963	10,267,800	-	19,911,763			
	-	-	-	-	184,101	-	184,101			
	3,757,444	-	-	3,757,444	4,995,965	-	8,753,409			
Total current liabilities	13,250,352	219,699	-	13,470,051	15,780,359	(106,760)	29,143,650			
NET PENSION LIABILITY	-	-	-	-	88,660	-	88,660			
NON-CURRENT PORTION OF LOSSES AND LOSS ADJUSTMENT EXPENSE RESERVES	2,150,772	-	-	2,150,772	2,689,687	-	4,840,459			
SBITA liabilities, net of current portion	-	-	-	-	714,201	-	714,201			
DEFERRED INFLOWS OF RESOURCES	-	-	-	-	164,666	-	164,666			
Total liabilities and deferred inflows of resources	15,401,124	219,699	-	15,620,823	19,437,573	(106,760)	34,951,636			
NET POSITION	-	-	-	-	373,756	-	373,756			
Restricted	-	-	-	-	-	-	-			
Net pension asset	-	-	-	-	-	-	-			
Unrestricted	11,203,434	1,767,819	(22,000)	12,949,253	31,878,897	(7,500,000)	37,328,150			
Total net position	11,203,434	1,767,819	(22,000)	12,949,253	32,252,653	(7,500,000)	37,701,906			
Total liabilities and deferred inflows of resources and net position	\$ 26,604,558	\$ 1,987,518	\$ (22,000)	\$ 28,570,076	\$ 51,690,226	\$ (7,606,760)	\$ 72,653,542			

Combining Statement of Revenues, Expenses, and Changes in Net Position

Year Ended December 31, 2025

	Affordable Housing Risk Pool	ORWACA Agency	Combining Eliminating Entries	Affordable Housing Risk Pool and ORWACA Combined	Housing Authorities Risk Retention Pool	Combining Eliminating Entries	Combined
OPERATING REVENUES							
Contributions earned	\$ 21,765,840	\$ -	\$ -	\$ 21,765,840	\$ 20,242,601	\$ -	\$ 42,008,441
Commissions	-	380,550	-	380,550	-	-	380,550
Other income	-	-	-	-	662,881	(662,881)	-
Total operating revenues	21,765,840	380,550	-	22,146,390	20,905,482	(662,881)	42,388,991
OPERATING EXPENSES							
Changes in losses and loss adjustment expenses incurred	6,840,364	-	-	6,840,364	6,824,316	-	13,664,680
Excess insurance expense	9,653,170	-	-	9,653,170	7,088,962	-	16,742,132
Professional fees	64,411	75	-	64,486	197,049	-	261,535
Salaries and benefits	-	-	-	-	2,025,463	-	2,025,463
General and administrative expense	527,197	197,664	-	724,861	644,954	(662,881)	706,934
Amortization expense	-	-	-	-	15,008	-	15,008
Total operating expenses	17,085,142	197,739	-	17,282,881	16,795,752	(662,881)	33,415,752
OPERATING INCOME (LOSS)	4,680,698	182,811	-	4,863,509	4,109,730	-	8,973,239
NONOPERATING INCOME							
Investment income	758,176	42,364	-	800,540	1,557,174	-	2,357,714
Total nonoperating income	758,176	42,364	-	800,540	1,557,174	-	2,357,714
INCREASE IN NET POSITION BEFORE INCOME TAX EXPENSE	5,438,874	225,175	-	5,664,049	5,666,904	-	11,330,953
INCOME TAX EXPENSE	(1,205,004)	(800)	-	(1,205,804)	-	-	(1,205,804)
INCREASE IN NET POSITION	4,233,870	224,375	-	4,458,245	5,666,904	-	10,125,149
NET POSITION, beginning of year	6,969,564	1,543,444	(22,000)	8,491,008	26,585,749	(7,500,000)	27,576,757
NET POSITION, end of year	\$ 11,203,434	\$ 1,767,819	\$ (22,000)	\$ 12,949,253	\$ 32,252,653	\$ (7,500,000)	\$ 37,701,906



Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Directors
Housing Authorities Risk Retention Pool

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (Government Audit Standards), the financial statements of the entity and presented component units of Housing Authorities Risk Retention Pool (the Pool) as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise Housing Authorities Risk Retention Pool basic financial statements, and have issued our report thereon dated March 20, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Housing Authorities Risk Retention Pool's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Housing Authorities Risk Retention Pool's internal control. Accordingly, we do not express an opinion on the effectiveness of Housing Authorities Risk Retention Pool's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Pool's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baker Tilly US, LLP

Portland, Oregon
March 20, 2026



Report of Independent Auditors
The Board of Directors
Affordable Housing Risk Pool and Subsidiary
Report on the Audit of the Financial Statements



Opinion

We have audited the consolidated financial statements of Affordable Housing Risk Pool and Subsidiary (the Pool), which comprise the consolidated balance sheets as of December 31, 2025 and 2024, and the related consolidated statements of operations and unassigned surplus and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Affordable Housing Risk Pool and Subsidiary as of December 31, 2025 and 2024, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Affordable Housing Risk Pool and Subsidiary and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Affordable Housing Risk Pool and Subsidiary's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pool's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Affordable Housing Risk Pool and Subsidiary's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Management's Discussion and Analysis on pages 44 through 49, the Reconciliation of Claims Liabilities by Type of Coverage, and the Yearly Loss Development Information on pages 61 through 63 (collectively, the required supplementary information) is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements.

We have applied certain limited procedures to the supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the consolidated financial statements, and other knowledge we obtained during our audits of the consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Additional Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating balance sheet and consolidating statement of operations and unassigned surplus (collectively, additional supplementary information) are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. The additional supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Baker Tilly US, LLP

Portland, Oregon
March 20, 2026

AHRP Management's Discussion and Analysis

The management of the Affordable Housing Risk Pool and Subsidiary (AHRP) is pleased to offer this narrative overview and analysis of the financial activities for the fiscal year ended December 31, 2025. We encourage readers to consider the information presented here in conjunction with AHRP's consolidated financial statements and notes.

Financial Highlights

AHRP's revenues exceeded budgeted figures by 3.3% due to the growth of the pool in which 30 new policies were added to the pool's portfolio. Included in the budget was the implementation of a minimum square foot cost factor. Claim costs, reinsurance costs, and administrative/tax costs were higher than budgeted given the growth that was experienced. Despite these higher costs, AHRP ended with a positive gain. Additionally, AHRP's subsidiary, the ORWACA Agency Insurance Services, LLC continued to outpace its sales estimates for commercial placement of policies that cannot be retained within the risk pool.

As such, AHRP and its subsidiary had a net increase of \$4,458,245 in 2025 compared to a net increase of \$1,804,982 in 2024.

AHRP is a manager-managed limited liability company. The AHRP Board of Directors has full and exclusive responsibility over the management of the business and affairs of AHRP. The AHRP Board is comprised of nine directors, seven of which are Member Affiliated Directors and two are Policyholder Affiliated Directors. The Member Affiliated Directors are individuals who are current directors of the Housing Authorities Risk Retention Pool (HARRP) and who are selected by HARRP to serve on the AHRP Board. The Member Affiliated Directors appoint the Policyholder Affiliated Directors, who are employees, officers, partners, or managers of an AHRP policyholder but have no other relationship with HARRP or public housing. The Board of Directors oversees program changes and recommendations, financial overview, underwriting, claims management, and loss control.

General Program Highlights

AHRP was formed in 2011 as an alternative insurance provider for nonprofit corporations and tax credit limited partnerships and limited liability companies engaged in providing affordable housing. AHRP was organized as a limited liability company under the Oregon Limited Liability Company Act and is a wholly owned subsidiary of HARRP. Based on an actuarial feasibility study, HARRP made a \$5,000,000 capital contribution to AHRP in February 2011. HARRP contributed an additional \$1,000,000 in December 2020 to compensate for the high losses and another \$1,500,000 capital infusion in December 2021. AHRP utilizes the same investment management firm as HARRP and invests its capital very conservatively. AHRP's capital is predominantly invested in obligations of the U.S. Government, U.S. Government agencies, U.S. Government sponsored agencies, and Corporate Bonds with maturities of less than five years and a limited number of certificates of deposit, each under \$250,000.

Claims administration, risk management, financial services, and underwriting are performed in-house. Claims adjusting, actuarial analysis, financial audits, and legal counsel are outsourced to firms specializing in pooling, habitational risks, employment law, and civil litigation.

continues page 45

Financial Statement Overview

AHRP reports its financial activities on the accrual method of accounting. AHRP establishes a budget annually to monitor many aspects of the financial status of the pool.

The annual financial report includes Consolidated Balance Sheets, Consolidated Statements of Operations and Unassigned Surplus, and Consolidated Statements of Cash Flows. This report also contains information to supplement the basic financial statements.

- The Consolidated Balance Sheets present information about AHRP's assets, liabilities, and unassigned surplus. Future increases or a decrease in the unassigned surplus from year to year is an indication of how effectively AHRP is rating its program to assure sufficient funding as well as AHRP's internal administrative efficiency.
- The Consolidated Statements of Operations and Unassigned Surplus present information showing total revenues versus total expenses. All revenues and expenses are reported on an accrual basis. In the supplementary information section of the audit report is the Reconciliation of Claims Liabilities by Type of Coverage. The Yearly Loss Development Information schedule for the inception period of 2025 will, over time, show loss development which confirms, or denies, that the originally funded rate was adequate, or inadequate, to cover the cost of losses as the loss matures.

Analysis of Balance Sheet

	2025	2024
ASSETS		
Current assets	\$ 20,959,455	\$ 17,794,520
Noncurrent assets	7,610,621	7,020,012
Total assets	<u>\$ 28,570,076</u>	<u>\$ 24,814,532</u>
LIABILITIES		
Current liabilities	\$ 13,470,051	\$ 14,891,586
Noncurrent liabilities	2,150,772	1,431,938
Total liabilities	<u>15,620,823</u>	<u>16,323,524</u>
UNASSIGNED SURPLUS	<u>12,949,253</u>	<u>8,491,008</u>
Total liabilities and unassigned surplus	<u>\$ 28,570,076</u>	<u>\$ 24,814,532</u>

Total unassigned surplus increased by \$4,458,245.

AHRP has approximately \$7 million invested predominantly in obligations of the U.S. Government, U.S. Government agencies and U.S. Government backed securities, Corporate Bonds, and Certificates of Deposit as stipulated by applicable state investment statutes. Income derived from these investments is used to help determine future rates and to offset administrative costs associated with the implementation of services and compliance with local, state, and federal statutes.

Liabilities

AHRP's liabilities are comprised of unearned member contributions (deferred revenue), claim reserves payable at a future date, incurred but not reported (IBNR) claims, and accounts payable.

Analysis of the Consolidated Statements of Operations and Unassigned Surplus

The Consolidated Statements of Operations and Unassigned Surplus depict the activities of AHRP for the fiscal years ended December 31, 2025 and 2024. The revenues and expenses are presented on an accrual basis of accounting.

continues page 46

	<u>2025</u>	<u>2024</u>
REVENUES		
Member contributions	\$ 21,765,840	\$ 18,461,455
Investment income	800,540	505,970
Other income	<u>380,550</u>	<u>408,306</u>
Total revenues	<u>22,946,930</u>	<u>19,375,731</u>
EXPENSES		
Claims expense	6,840,364	6,443,901
Administration/other expense	<u>11,648,321</u>	<u>11,126,848</u>
Total expenses	<u>18,488,685</u>	<u>17,570,749</u>
NET INCOME	4,458,245	1,804,982
Unassigned surplus, beginning	<u>8,491,008</u>	<u>6,686,026</u>
Unassigned surplus, ending	<u>\$ 12,949,253</u>	<u>\$ 8,491,008</u>

For complete information please refer to the accompanying consolidated financial statements and the related notes to the consolidated financial statements.

Revenues

The predominant source of AHRP's revenue is policies issued and the resulting premium collected. Policyholder premium payments provide revenue for AHRP to manage its objectives of self-insurance and ceding risk. Rates are determined annually based on an actuarial analysis that considers loss trends, exposure units, and other trending factors. Rates are ultimately adopted by the Board of Directors. The first year of a pooled rating formula versus state specific rates was 2018. The rationale behind a pooled rating is a greater spread of the risk among all policies issued in the four states that AHRP is legislatively allowed to operate. Property rates are generated on the total insured value for each policy and the general liability rates are based on the number of units (doors).

Expenses

Pool administration costs are comprised of administration expenses, claims handling costs, and claim payments. In 2025, AHRP's expenses increased by \$917,936. This is due to increased costs of administering the claims and more resources allocated to AHRP administration over 2024 levels. A critical element in AHRP's business operations are assurances of AHRP's financial strength that are provided to lenders and syndicators. This financial strength is bolstered by AHRP's partnership with a highly regarded global reinsurer, which enables AHRP to maintain an AM Best rating of A+.

Debt Administration

AHRP has no existing or pending long term debt. HARRP, in its discretion, can provide additional capital to AHRP if needed.

Forecast of Facts or Conditions Affecting Results of Operations

Because AHRP is heavily dependent on reinsurance and fronting, it is subject to many of the same volatile market swings faced by the insurance industry. AHRP is experiencing a marked increase in the frequency and severity of water damage and fire claims, due primarily to permanent supportive housing issues. Additionally, these insurance markets are not prone to classify habitational risks as exposures they want in their portfolio. Couple that with the wildfire exposures on the west coast and the acquisition of excess property coverage from the reinsurance markets has become very difficult and expensive to acquire. In an attempt to control the impact of market fluctuations, AHRP's ongoing strategy is to aggressively control claim costs and implement risk control strategies. Additionally, AHRP will continue to devise methods of making the program more efficient and less dependent on the insurance industry.

Financial Contact

This financial report is designed to provide a general overview of AHRP's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, Affordable Housing Risk Pool LLC, 4660 NE 77th Avenue, Suite 310, Vancouver, WA 98662.

Consolidated Balance Sheets

	2025	2024
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 20,268,996	\$ 17,081,605
Interest receivable	59,151	53,777
Investments	117,274	337,106
Accounts receivable	235,075	191,211
Income tax receivable	153,198	-
Prepaid expenses	125,761	130,821
Total current assets	20,959,455	17,794,520
DEFERRED INCOME TAX ASSET	529,758	549,681
NON-CURRENT INVESTMENTS	7,080,863	6,470,331
Total assets	\$ 28,570,076	\$ 24,814,532
LIABILITIES AND UNASSIGNED SURPLUS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 68,644	\$ 782,559
Unearned contributions	9,643,963	10,653,206
Income tax payable	-	548,245
Current portion of losses and loss adjustment expense reserves	3,757,444	2,907,576
Total current liabilities	13,470,051	14,891,586
NON-CURRENT PORTION OF LOSSES AND LOSS ADJUSTMENT EXPENSE RESERVES	2,150,772	1,431,938
Total liabilities	15,620,823	16,323,524
CONTINGENCIES (NOTE 7)		
UNASSIGNED SURPLUS	12,949,253	8,491,008
Total liabilities and unassigned surplus	\$ 28,570,076	\$ 24,814,532

Consolidated Statements of Operations and Unassigned Surplus

	<u>2025</u>	<u>2024</u>
OPERATING REVENUES		
Contributions earned	\$ 21,765,840	\$ 18,461,455
Commissions	380,550	408,306
	<u>22,146,390</u>	<u>18,869,761</u>
OPERATING EXPENSES		
Change in losses and loss adjustment expenses incurred	6,840,364	6,443,901
Excess and reinsurance expense	9,653,170	9,575,631
Professional fees	64,486	41,394
General and administrative expense	724,861	795,183
	<u>17,282,881</u>	<u>16,856,109</u>
OPERATING INCOME	4,863,509	2,013,652
NON-OPERATING INCOME		
Investment income	800,540	505,970
NET INCOME BEFORE INCOME TAX EXPENSE	5,664,049	2,519,622
INCOME TAX EXPENSE	<u>(1,205,804)</u>	<u>(714,640)</u>
NET INCOME	4,458,245	1,804,982
UNASSIGNED SURPLUS, beginning of year	<u>8,491,008</u>	<u>6,686,026</u>
UNASSIGNED SURPLUS, ending of year	<u><u>\$ 12,949,253</u></u>	<u><u>\$ 8,491,008</u></u>

Consolidated Statements of Cash Flows

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Contributions received	\$ 20,712,733	\$ 24,587,258
Commissions received	380,550	408,306
Interest received	690,889	560,639
Taxes paid	(1,887,324)	(581,768)
Losses and loss adjustment expenses paid	(5,271,662)	(5,885,730)
Other amounts paid	(1,433,716)	(431,992)
Professional fees paid	(64,486)	(41,394)
Excess and reinsurance insurance expenses paid	(9,653,170)	(9,575,631)
	3,473,814	9,039,688
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(2,656,703)	(5,767,891)
Proceeds from sales and maturities of investments	2,370,280	5,507,355
	(286,423)	(260,536)
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,187,391	8,779,152
CASH AND CASH EQUIVALENTS, beginning of year	17,081,605	8,302,453
CASH AND CASH EQUIVALENTS, end of year	\$ 20,268,996	\$ 17,081,605
RECONCILIATION OF NET INCOME TO CASH PROVIDED BY OPERATING ACTIVITIES		
Net income	\$ 4,458,245	\$ 1,804,982
Adjustments to reconcile net income to net cash provided by operating activities		
Change in deferred income taxes	19,923	(277,364)
Loss (gain) on sale of investments	(19,009)	10,285
Change in fair value of investments	(85,268)	21,054
Changes in assets and liabilities		
Interest receivable	(5,374)	23,330
Accounts receivable	(43,864)	197,267
Prepaid expenses	5,060	(14,876)
Accounts payable and accrued expenses	(713,915)	378,067
Unearned contributions	(1,009,243)	5,928,536
Income tax payable	(548,245)	410,236
Losses and loss adjustment expense reserves	1,568,702	558,171
	\$ 3,473,814	\$ 9,039,688

Notes to Financial Statements

Note 1 – Significant Accounting Policies

Nature of Operations

Affordable Housing Risk Pool (the Pool) is a wholly owned subsidiary of Housing Authorities Risk Retention Pool (HARRP) created for the purpose of offering property, general liability, and tenant discrimination coverage to low-income housing tax credit and nonprofit corporations providing affordable housing. The Pool began operations on March 31, 2011.

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Affordable Housing Risk Pool (AHRP) and ORWACA Agency Insurance Services, LLC (Agency). The Agency is a member managed LLC owned by AHRP (100% ownership). All significant intercompany transactions have been eliminated in consolidation.

Pool Administration

The Pool has engaged its parent-company, HARRP, to be the service administrator of the Pool. Through a management agreement with HARRP, administration and expenses for services such as securing insurance coverage, marketing, underwriting, preparation of consolidated financial statements, claims administration, risk management, billing, collections, contribution audits, and other services are paid directly to HARRP. Underwriting expense includes \$662,881 and \$716,954 (consolidated) in administrative fees for services performed under this agreement in 2025 and 2024, respectively. Included in accounts receivable is \$0 and \$91,833 due from HARRP at December 31, 2025 and 2024, respectively. There were no amounts owed to HARRP at December 31, 2025 and 2024.

Basis of Accounting

The Pool's consolidated financial statements are prepared on the accrual basis of accounting. Under this method, revenues from contributions and interest are recognized when earned and expenses are recorded at the time liabilities are incurred. The Pool applies all applicable Financial Accounting Standards Board (FASB) pronouncements.

Description of Programs

The Pool's Self Insurance Programs (Auto Liability, General Liability, Errors & Omissions, Property and Employment Practices) were established for the purpose of operating and maintaining a self-insurance or group insurance program. Member contributions for coverage are to be used for the payment of, but not limited to, the following:

- Self-insured claim payments • Reinsurance premiums • Claims administration expenses • Investigative costs
- Legal costs • Internal administration service costs • Audit costs • Actuarial expenses • Miscellaneous

The Board of Directors determines contribution requirements annually for the self-insurance programs adequate to fund for internal administration projected losses and excess insurance costs. Policyholder deductibles, self-insured retention (SIR), reinsurance, and excess insurance for each program are as follows:

General Liability

Member Deductible	None
SIR	\$1,000,000 per occurrence
Reinsurance	\$1,000,000 per occurrence

Property

Member Deductible	\$0 to \$10,000 per occurrence (varies)
SIR	\$1,000,000 per occurrence
Reinsurance	\$1,000,000 per occurrence
Excess	\$2,000,001 to \$45,000,000

continues page 51

Cash and Cash Equivalents

The Pool considers all highly liquid investments with an original maturity of three months or less and money market mutual funds to be cash equivalents. The amount of Affordable Housing Risk Pool cash is covered by federal depository insurance up to \$250,000. ORWACA Agency Insurance Services, LLC's cash is restricted for use by the State of Washington until the premiums are paid to the respective insurance companies. No cash was considered restricted as of December 31, 2025 and 2024.

Accounts Receivable

Accounts receivable reflects uncollateralized amounts due from policyholders for contributions billed. Contributions are due from policyholders generally prior to the start of the coverage period. Interest is not charged on delinquent balances. Management individually reviews all delinquent balances and works with its customers, the housing authority, AH, to collect amounts owed. There were no receivable balances delinquent more than 90 days as of December 31, 2025 and 2024. The Pool did not provide an allowance for credit losses as all accounts receivables are considered collectible.

Unearned Contribution/Prepaid Expenses

Policy period-end varies by policyholder. As such, certain contributions are treated as deferred and certain expenses as prepaid. This is to reflect a proper matching of contributions and expenses for the fiscal year-end consolidated financial statements.

Investments

The Pool records its investments at fair value. Changes in fair value are reported as revenue in the consolidated statements of operations and unassigned surplus. Fair value of investments has been determined by the Pool based on quoted market prices. The Pool considers all investments to be classified as trading securities. As a result, all unrealized changes in the value of investments are included in the consolidated statements of operations and unassigned surplus.

Revenue Recognition

Revenues mainly consist of premium contributions from policyholders. Policyholders are typically those organizations in the affordable housing community, primarily tax credit partnerships, affiliated nonprofits, and nonprofit affordable housing owners in Oregon, Washington, Nevada, and California.

Revenue is matched to the period in which the policyholder has obtained coverage. Revenues are amortized over the coverage period.

Contribution development is performed by actuaries and the Board of Directors based on the particular characteristics of the policyholders. Contribution income consists of payments from policyholders that are expected to match the expense of insurance premiums for coverage in excess of self-insured amounts, estimated payments resulting from self-insurance programs, and operating expenses. The contribution revenue is recognized as revenue in the period for which insurance protection is provided. Unearned contributions at December 31 are recognized in the following year.

Losses and loss adjustment expense

The Pool establishes claims liabilities based on estimates of the ultimate cost of claims (including future allocated claim adjustment expense) that have been reported but not settled, and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount, particularly for coverages such as general liability. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claims frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflects past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claim liabilities are charged or credited to expense in the periods in which they are made.

continues page 54

Income Tax Status

AHRP has been formed as a Limited Liability Company and is taxed as an insurance corporation. The Agency is a Limited Liability Company and wholly owned by AHRP. For tax purposes, the Agency is considered a disregarded entity, and its operations are combined with AHRP on AHRP’s income tax return.

The income tax provision is based on the asset and liability method. Deferred income tax assets and liabilities have been provided for temporary differences between the tax basis of assets and liabilities and their reported amounts in the consolidated financial statements.

Management believes the Pool has no material uncertain tax positions and, accordingly, it has not recorded a liability for unrecognized tax expense. To the extent that the Pool was assessed interest or penalties associated with income tax positions, such expense would be recognized as an operating expense.

Use of Estimates

In preparing consolidated financial statements in conformity with U.S. GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 – Investments

The Pool had the following investments held in a managed portfolio as of December 31:

	<u>2025</u>	<u>2024</u>
Federal agency securities	\$ 5,855,918	\$ 4,922,817
Corporate bonds	1,342,219	1,686,544
Certificates of deposit	-	198,076
	<u>\$ 7,198,137</u>	<u>\$ 6,807,437</u>

Investments are included on the following totals on the consolidated balance sheets at December 31:

	<u>2025</u>	<u>2024</u>
Investments	\$ 117,274	\$ 337,106
Noncurrent investments	<u>7,080,863</u>	<u>6,470,331</u>
	<u>\$ 7,198,137</u>	<u>\$ 6,807,437</u>

Interest rate risk – As a means of limiting its exposure to fair value losses arising from changes in interest rates, the Pool’s investment policy limits the investment portfolio to maturities of not more than five years from the date of investment.

continues page 53

Investment Type	Fair Value	Investment Maturities as of December 31, 2025		
		<1 year	1–3 years	>3 years
Federal agency securities	\$ 5,855,918	\$ -	\$ 1,825,863	\$ 4,030,055
Corporate bonds	1,342,219	117,274	1,021,015	203,930
Total investments at fair value	<u>\$ 7,198,137</u>	<u>\$ 117,274</u>	<u>\$ 2,846,878</u>	<u>\$ 4,233,985</u>

Investment Type	Fair Value	Investment Maturities as of December 31, 2024		
		<1 year	1–3 years	>3 years
Federal agency securities	\$ 4,922,817	\$ -	\$ 3,481,505	\$ 1,441,312
Corporate bonds	1,686,544	139,030	998,192	549,322
Certificates of deposit	198,076	198,076	-	-
Total investments at fair value	<u>\$ 6,807,437</u>	<u>\$ 337,106</u>	<u>\$ 4,479,697</u>	<u>\$ 1,990,634</u>

Credit risk – It is the Pool’s general investment policy to apply the prudent person standard; investments shall be made with judgment and care under circumstances then prevailing which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. Securities eligible for investments are direct obligations of the U.S. Government (U.S. Treasury obligations), U.S. Government agency securities, Corporate Bonds, and Money Market bank accounts. U.S. Treasury obligations are backed by the full faith and credit of the U.S. Government. Government agency securities are rated “AA+” by Standard and Poor’s. Certificates of deposit are covered by federal depository insurance.

Concentration of risk – The Pool’s investment policy allows for purchase of certificates of deposits, corporate bonds, and federal agency securities. At December 31, investments grouped in categories that are 5% or more as a percentage of the total investment portfolio were as follows:

	% of Portfolio	
	2025	2024
Federal agency securities	81%	80%
Corporate bonds	19%	4%
Certificates of deposit	0%	16%

continues page 54

Assets and liabilities recorded at fair value in the consolidated balance sheets are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Level inputs, as defined by ASC 820, Fair Value Measurements and Disclosures, are as follows:

Level 1 – Inputs are based upon unadjusted quoted prices for identical assets and liabilities traded in active markets.

Level 2 – Inputs are based on quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Inputs are generally unobservable and typically reflect management’s estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

Note 3 – Fair Value Measurements

Fair values of assets measured on a recurring basis at December 31 are as follows:

	Fair Value	Level 1	Level 2	Level 3
December 31, 2025				
Federal agency securities	\$ 5,855,918	\$ -	\$ 5,855,918	\$ -
Corporate bonds	1,342,219	-	1,342,219	-
Investments at fair value	<u>\$ 7,198,137</u>	<u>\$ -</u>	<u>\$ 7,198,137</u>	<u>\$ -</u>
December 31, 2024				
Federal agency securities	\$ 4,922,817	\$ -	\$ 4,922,817	\$ -
Corporate bonds	1,686,544	-	1,686,544	-
Certificates of deposit	198,076	-	198,076	-
Investments at fair value	<u>\$ 6,807,437</u>	<u>\$ -</u>	<u>\$ 6,807,437</u>	<u>\$ -</u>

Note 4 – Losses and Loss Adjustment Expenses

The Pool establishes a liability for both reported and unreported insured events at undiscounted amounts, which includes estimates of both future payments of losses and related claims adjustment expenses. The following represents changes in liabilities for the Pool during the years ended December 31:

	<u>2025</u>	<u>2024</u>
Losses and loss adjustment expense reserves, beginning of year	<u>\$ 4,339,514</u>	<u>\$ 3,781,343</u>
Incurred losses and loss adjustment expenses		
Provision for covered events of the current year	5,731,000	5,924,000
Increase in provision for covered events of the prior years	<u>1,109,364</u>	<u>519,901</u>
	<u>6,840,364</u>	<u>6,443,901</u>
Payments		
Losses and loss adjustment expenses attributable to covered events of the current year	2,401,282	3,545,902
Losses and loss adjustment expenses attributable to covered events of the prior years *	<u>2,870,380</u>	<u>2,339,828</u>
	<u>5,271,662</u>	<u>5,885,730</u>
Loss and loss adjustment expense reserves, end of year	<u><u>\$ 5,908,216</u></u>	<u><u>\$ 4,339,514</u></u>
Detail of losses and loss adjustment expense reserves		
Current portion	\$ 3,757,444	\$ 2,907,576
Long-term portion	<u>2,150,772</u>	<u>1,431,938</u>
	<u><u>\$ 5,908,216</u></u>	<u><u>\$ 4,339,514</u></u>

*Claim payments include \$174,641, \$71,882, \$141,614, \$4,100, and \$96,928 of state subrogation payments received for the years ended December 31, 2025, for 2024, 2023, 2022, 2021, and 2018 claims, respectively.

An increase in provision for covered events of the prior year totaled \$1,109,364 for the year ended December 31, 2025. The Pool experienced continued unfavorable claims experiences from wildfires and flooding.

Note 5 – Income Taxes

AHRP is taxed as a mutual property/casualty insurance company. Deferred income tax assets result principally from net operating losses, differences between unpaid losses and loss adjustments, unrealized gains and losses, and unearned contributions for financial reporting and tax purposes.

Income tax expense consists of the following for the years ended December 31:

	<u>2025</u>	<u>2024</u>
Deferred – Federal	\$ (16,952)	\$ 247,369
Deferred – State	<u>(2,971)</u>	<u>29,995</u>
Total deferred	<u>(19,923)</u>	<u>277,364</u>
Current – Federal	(887,497)	(737,558)
Current – State	<u>(298,384)</u>	<u>(254,446)</u>
Total current	<u>(1,185,881)</u>	<u>(992,004)</u>
	<u>\$ (1,205,804)</u>	<u>\$ (714,640)</u>

The effective tax rate differs from the rate applied to the AHRP net income before income taxes principally due to differences from state taxes.

The components of the deferred income tax asset are as follows as of December 31:

	<u>2025</u>	<u>2024</u>
Unearned contributions	\$ 461,335	\$ 503,427
Unrealized losses	(39,055)	(31,051)
Loss reserve discount	98,656	71,841
Capital loss disallowed	8,822	6,771
TCJA - loss reserve discounting	<u>-</u>	<u>(1,307)</u>
Net deferred tax asset	<u>\$ 529,758</u>	<u>\$ 549,681</u>

As of December 31, 2025, AHRP has no available federal and state net operating loss carryforwards from federal, California, or Oregon.

The Pool is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

As of December 31, 2025, AHRP has no available federal and state net operating loss carryforwards from federal, California, or Oregon.

The Pool is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Note 6 – Excess Insurance and Reinsurance

The Pool purchases excess insurance and reinsurance to reduce its financial exposure to loss. The Pool does not report any liabilities that are the responsibility of the reinsurance or the excess insurance carrier.

AHRP provides only general liability, property, and tenant discrimination coverage. The general liability coverage for AHRP is self-insured at a level of \$1,000,000 per occurrence. Reinsurance in the amount of \$1,000,000 has been secured to provide higher limit coverage on both the property and general liability lines. Additionally, AHRP secures \$45,000,000 in excess of the underlying \$2,000,000 for property losses through an additional excess insurance policy.

Note 7 – Contingencies

In connection with a financing arrangement between HARRP and a third party, the Pool is a grantor and is contingently liable to satisfy the claims of a reinsurer of the Pool should income or working capital of HARRP fall below a specified minimum. In the event the Pool is required to fund amounts pursuant to the above agreement, the Pool may recover the amount of its funding from HARRP, although the terms of such recovery may extend over several future periods.

The Pool is subject to risks associated with natural disasters, including wildfires, severe flooding, and windstorms on the housing authority it covers. The Authority maintains property and casualty reinsurance policies designed to mitigate these risks for any years or properties that exceed levels established. However, severe climate events may lead to large claims expenses during certain years, and may result in significant increases in future claims paid or the price of reinsurance.

Note 8 – Subsequent Events

We have evaluated subsequent events through March 20, 2026, the date these consolidated financial statements were available to be issued.

Other Supplementary Information

Consolidating Balance Sheet

December 31, 2025

	Affordable Housing Risk Pool	ORWACA Agency	Consolidating Eliminating Entries	Consolidated
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 18,502,282	\$ 1,766,714	\$ -	\$ 20,268,996
Interest receivable	59,151	-	-	59,151
Investments	117,274	-	-	117,274
Accounts receivable	17,747	217,328	-	235,075
Income tax receivable	153,198	-	-	153,198
Prepaid expenses	122,285	3,476	-	125,761
Total current assets	<u>18,971,937</u>	<u>1,987,518</u>	<u>-</u>	<u>20,959,455</u>
DEFERRED INCOME TAX ASSET	529,758	-	-	529,758
NON-CURRENT INVESTMENTS	7,080,863	-	-	7,080,863
INVESTMENT IN SUBSIDIARY	22,000	-	(22,000)	-
Total assets	<u>\$ 26,604,558</u>	<u>\$ 1,987,518</u>	<u>\$ (22,000)</u>	<u>\$ 28,570,076</u>

Consolidating Balance Sheet

December 31, 2025

	Affordable Housing Risk Pool	ORWACA Agency	Consolidating Eliminating Entries	Consolidated
LIABILITIES AND UNASSIGNED SURPLUS				
CURRENT LIABILITIES				
Accounts payable and accrued expenses	\$ (151,055)	\$ 219,699	-	\$ 68,644
Unearned contributions	9,643,963	-	-	9,643,963
Income tax payable	-	-	-	-
Current portion of losses and loss adjustment expense reserves	3,757,444	-	-	3,757,444
Total current liabilities	13,250,352	219,699	-	13,470,051
NON-CURRENT PORTION OF LOSSES AND LOSS ADJUSTMENT EXPENSE RESERVES				
Total liabilities	15,401,124	219,699	-	15,620,823
CONTINGENCIES				
UNASSIGNED SURPLUS				
Total liabilities and unassigned surplus	\$ 26,604,558	\$ 1,987,518	(22,000)	\$ 28,570,076

Consolidating Statement of Operations and Unassigned Surplus

December 31, 2025

	Affordable Housing Risk Pool	ORWACA Agency	Consolidating Eliminating Entries	Combined
OPERATING REVENUES				
Contributions earned	\$ 21,765,840	\$ -	\$ -	\$ 21,765,840
Commissions	-	380,550	-	380,550
Total operating revenues	21,765,840	380,550	-	22,146,390
OPERATING EXPENSES				
Changes in losses and loss adjustment expenses incurred	6,840,364	-	-	6,840,364
Excess and reinsurance expense	9,653,170	-	-	9,653,170
Professional fees	64,411	75	-	64,486
General and administrative expense	527,197	197,664	-	724,861
Total operating expenses	17,085,142	197,739	-	17,282,881
OPERATING INCOME	4,680,698	182,811	-	4,863,509
NON-OPERATING INCOME				
Investment income	758,176	42,364	-	800,540
NET INCOME BEFORE INCOME TAX EXPENSE	5,438,874	225,175	-	5,664,049
INCOME TAX EXPENSE	(1,205,004)	(800)	-	(1,205,804)
NET INCOME	4,233,870	224,375	-	4,458,245
UNASSIGNED SURPLUS, beginning of year	6,969,564	1,543,444	(22,000)	8,491,008
UNASSIGNED SURPLUS, ending of year	\$ 11,203,434	\$ 1,767,819	\$ (22,000)	\$ 12,949,253

Reconciliation of Claims Liabilities by Type of Coverage (Unaudited)

Years Ended December 31, 2025 and 2024

The schedule below presents the changes in losses and loss adjustment expenses for the periods ended December 31, 2025 and 2024, for the Pool's two types of coverage, property and general liability:

	Property		General and Public Officials' Liability		Totals	
	2025	2024	2025	2024	2025	2024
Losses and loss adjustment expense reserves, beginning of year	\$ 1,609,793	\$ 2,206,711	\$ 2,729,721	\$ 1,574,632	\$ 4,339,514	\$ 3,781,343
Incurring losses and loss adjustment expenses	4,648,000	4,678,000	1,083,000	1,246,000	5,731,000	5,924,000
Increase in provision for covered events of the prior year	899,725	69,792	209,639	450,109	1,109,364	519,901
Total incurred losses and loss adjustment expenses	5,547,725	4,747,792	1,292,639	1,696,109	6,840,364	6,443,901
Payments						
Losses and loss adjustment expenses attributable to covered events of the current year	2,365,881	3,488,453	35,401	57,449	2,401,282	3,545,902
Losses and loss adjustment expenses attributable to covered events of the prior years	2,828,063	1,856,257	42,317	483,571	2,870,380	2,339,828
Total payments	5,193,944	5,344,710	77,718	541,020	5,271,662	5,885,730
Losses and loss adjustment expense reserves, end of year	<u>\$ 1,963,574</u>	<u>\$ 1,609,793</u>	<u>\$ 3,944,642</u>	<u>\$ 2,729,721</u>	<u>\$ 5,908,216</u>	<u>\$ 4,339,514</u>

Yearly Loss Development Information (Unaudited)

For the Ten Years Ended December 31, 2025

Total required contribution and investment revenue Ceded	\$ 4,534,732 (1,310,364)	\$ 4,603,897 (1,353,490)	\$ 4,222,228 (1,363,842)	\$ 5,167,077 (1,588,125)	\$ 6,705,480 (2,333,591)	\$ 8,389,650 (5,209,510)	\$ 11,721,152 (5,842,385)	\$ 13,669,120 (6,269,470)	\$ 18,967,425 9,384,754	\$ 22,566,380 9,453,313
(1) Net earned required contribution and investment revenues	3,224,368	3,250,407	2,858,386	3,578,952	4,371,889	3,180,140	5,878,767	7,399,650	28,352,179	32,019,693
(2) Unallocated expenses	1,201,840	1,136,939	1,325,039	1,025,483	1,639,145	2,375,429	2,535,176	2,293,152	3,563,807	3,125,438
(3) Estimated incurred claims and expense, end of year Ceded	3,337,216	1,770,359	3,731,685	2,217,298	4,489,489	3,447,905	5,707,586	3,689,000	5,924,000	5,731,000
Net incurred	3,337,216	1,770,359	3,731,685	2,217,298	4,489,489	3,447,905	5,707,586	3,689,000	5,924,000	5,731,000
(4) Paid (cumulative), end of year	1,486,246	977,138	896,693	1,041,907	2,172,977	1,851,266	2,734,370	1,589,679	3,545,902	2,401,282
One year later	2,950,533	1,205,274	3,412,627	1,906,997	3,776,656	3,135,218	6,009,691	3,154,436	5,199,568	-
Two years later	2,722,143	1,244,018	4,358,735	2,044,681	3,990,110	3,497,866	6,643,202	3,488,599	-	-
Three years later	2,742,808	1,286,394	3,214,545	2,093,426	4,040,316	3,540,999	7,307,881	-	-	-
Four years later	2,783,774	1,506,926	3,320,226	2,262,477	4,116,752	3,544,696	-	-	-	-
Five years later	2,783,774	1,529,243	3,320,501	2,264,550	4,353,201	-	-	-	-	-
Six years later	2,783,774	1,530,975	3,320,501	2,262,436	-	-	-	-	-	-
Seven years later	2,783,774	1,533,178	3,320,501	-	-	-	-	-	-	-
Eight years later	2,783,774	1,533,178	-	-	-	-	-	-	-	-
Nine years later	2,783,774	-	-	-	-	-	-	-	-	-
(5) Reestimated ceded claims and expenses	-	-	-	-	-	-	-	-	-	-
(6) Reestimated incurred claims and expenses, end of year	3,337,216	1,770,359	3,731,685	2,217,298	4,489,490	3,447,905	5,707,586	3,689,000	5,924,000	5,731,000
One year later	3,192,191	1,462,313	4,354,707	2,249,199	4,311,394	3,883,025	7,150,498	3,840,000	6,741,000	-
Two years later	2,819,089	1,366,907	4,417,236	2,283,655	4,224,135	3,696,695	7,540,000	3,949,000	-	-
Three years later	2,778,984	1,480,087	3,265,045	2,224,184	4,222,817	3,558,000	7,702,214	-	-	-
Four years later	2,783,774	1,603,580	3,325,105	2,288,499	4,351,898	3,548,545	-	-	-	-
Five years later	2,783,774	1,533,692	3,320,501	2,264,550	4,353,201	-	-	-	-	-
Six years later	2,783,774	1,530,975	3,320,501	2,262,436	-	-	-	-	-	-
Seven years later	2,783,774	1,533,178	3,320,501	-	-	-	-	-	-	-
Eight years later	2,783,774	1,533,178	-	-	-	-	-	-	-	-
Nine years later	2,783,774	-	-	-	-	-	-	-	-	-
(7) Increase (decrease) in estimated incurred claims expense from end of policy year	\$ (553,442)	\$ (237,181)	\$ (411,184)	\$ 45,138	\$ (136,288)	\$ 100,640	\$ 1,994,628	\$ 260,000	\$ 817,000	\$ (5,731,000)

*2024, 2023, 2022, 2021, and 2018 claim payments include \$174,641, \$71,882, \$141,614, \$4,100, and \$96,928 of state subrogation payments received, respectively, during the year ended December 31, 2025.

Yearly Loss Development Information (Unaudited)

December 31, 2025

CLAIMS DEVELOPMENT INFORMATION

The schedule illustrates the Pool's earned revenues (net of reinsurance) and investment income compared to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the Pool as of the end of the year.

The rows of the table are defined as follows:

1. This line shows the total of each year's earned contribution revenues and investment revenues.
2. This line shows each year's other operating costs of the Pool including overhead and claims expense not allocable to individual claims. All unallocable administration expenses are charged to the current year.
3. This line shows the Pool's incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the year.
4. This section shows the cumulative amounts paid as of the end of the year.
5. This line shows the latest re-estimated amount of claims assumed by reinsurers as of the end of the current year for each insured year.
6. This annual re-estimation results from new information received on known claims, as well as emergence of new claims not previously known.
7. This line compares the latest re-estimated incurred claim amount to the amount originally established (line 3) and shows whether this later estimate of claims cost is greater or less than originally estimated.

As data for individual policy years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years.



HARRP™

AHRP™

4660 NE 77th Ave. • Ste 310
Vancouver, WA • 98662 • 360.574.9035
Fax • 360.574.9401
www.harrp.com